

**BOROUGH OF DEMAREST
SCHOOL DISTRICT**

**Demarest Borough Board of Education
Demarest, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019**

**Comprehensive Annual
Financial Report**

of the

BOROUGH OF DEMAREST SCHOOL DISTRICT

Demarest, New Jersey

For the Fiscal Year Ended June 30, 2019

Prepared by

**Borough of Demarest Board of Education
Finance Department**

BOROUGH OF DEMAREST SCHOOL DISTRICT
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INTRODUCTORY SECTION

DEMAREST BOARD OF EDUCATION

568 Piermont Road, Demarest, NJ 07627 - T (201)768-6060 F (201) 767-9122

November 8, 2019

Honorable President and Board Members
Demarest Board of Education
568 Piermont Road
Demarest, NJ 07627

Dear President and Board Members:

The comprehensive annual financial report of the Demarest School District for the fiscal year ended June 30, 2019 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the representation, including all disclosures, rests with the management of the Board. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects, and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and questioned costs, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** Demarest School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (the "GASB"). All funds of the District are included in this report. The Demarest Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped youngsters. The District completed the 2018/2019 fiscal year with an enrollment of 705 students, which is 7 students more than the previous year's enrollment.

2) **ECONOMIC CONDITION AND OUTLOOK:** The Borough of Demarest is a small community located in Northeast Bergen County of approximately 5,000 citizens. The economic conditions and population have remained stable in the community. A significant change in population is not anticipated.

Honorable President and Board Members
of the Board of Education
Demarest Board of Education
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3) **MAJOR INITIATIVES:** Demarest Middle School and Luther Lee Emerson School once again received Future Ready School designation. The District continues to explore various ways to share services with the other districts and the Borough of Demarest to reduce expenditures. Various improvements have been made throughout the District. In all three buildings, we made significant security upgrades including the LENS system. At Demarest Middle School, we began the creation of a new drama and performing arts center. This center should be ready for use in the 2019-2020 school year. In addition, work began to create classrooms for world language, health and wellness, and a new seventh grade science lab. All are planned to be ready for use in the 2019-2020 school year. To address future infrastructure needs and ensure building systems are well maintained, the board added to the Capital Reserve account.

4) **INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits; and 2) the valuation of costs and benefits requires estimates and judgements by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education.

Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and/or assignments of fund balance at June 30, 2019.

Honorable President and Board Members
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6) ACCOUNTING SYSTEM AND REPORTS: The District’s accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB).

The accounting system of the District is organized on the basis of funds. These funds are explained in “Notes to the Basic Financial Statements” Note 1.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in “Notes to the Basic Financial Statements”, Note 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey, where the funds are secured in accordance with the act.

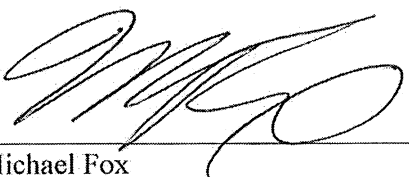
8) RISK MANAGEMENT: The District carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The cost of insurance coverage is increasing substantially due to current economic conditions.

9) OTHER INFORMATION:


A) Independent Audit – State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the related Uniform Guidance and New Jersey’s OMB Circular 15-08. The auditors’ report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors’ reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

10) ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Demarest School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial accounting staff.

Respectfully submitted,



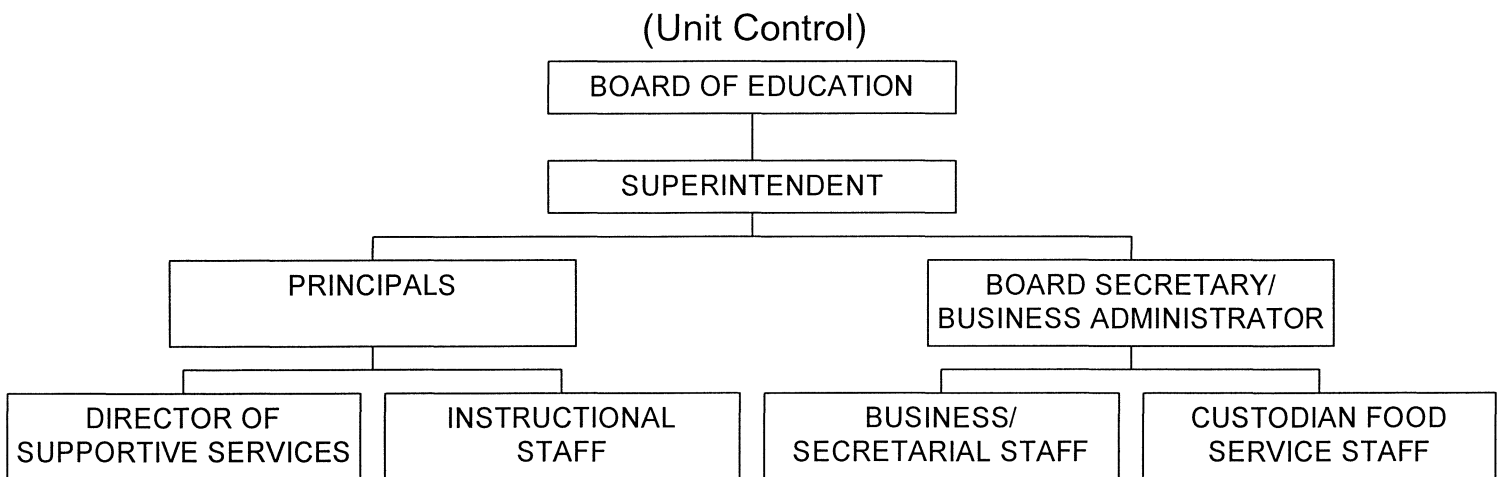
Michael Fox
Superintendent


Thomas J. Perez
Business Administrator/Board Secretary

DEMAREST PUBLIC SCHOOL DISTRICT

ORGANIZATIONAL CHART

2018/2019



Administrative Offices

568 Piermont Road, Demarest, NJ 07627 - T 201.768.6060 F 201.767.9122

DEMAREST BOARD OF EDUCATION

ROSTER OF OFFICIALS

2018/2019

MEMBERS OF THE BOARD OF EDUCATION

Diane Holzberg	President	2020
Sheila Verna	Vice President	2019
Erica Cantatore	Member	2020
Christen Governale	Member	2019
Ammu Kirtane	Member	2019
Kysoon Lee	Member	2021
Laura Schliem	Member	2021

OTHER OFFICIALS

Michael Fox	Superintendent
Thomas J. Perez	Business Administrator/Board Secretary
Phil Nisonoff	Treasurer
Stephen Fogarty, Esq.	Board Attorney
Matthew Giacobbe, Esq.	Board Attorney

DEMAREST BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

2018/2019

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FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
County of Bergen, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Demarest School District (the "District") in the County of Bergen, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and Postemployment schedules in exhibits L-1 through L-5 and the related notes, and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements

The accompanying other supplementary schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
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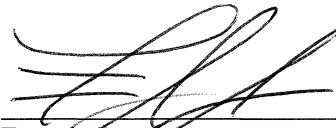
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 8, 2019
Mount Arlington, New Jersey


NISIVOCCIA LLP



Francis Jones
Certified Public Accountant
Licensed Public School Accountant #1154

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

This section of Borough of Demarest School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

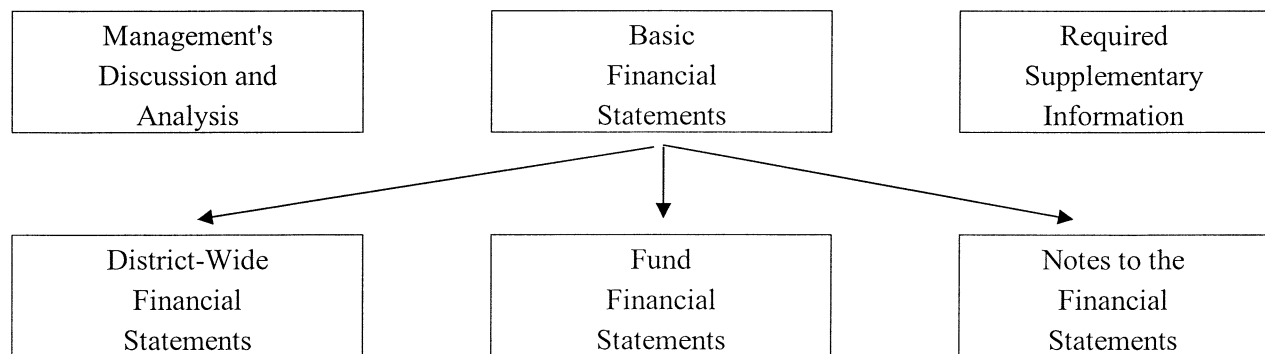
Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of Borough of Demarest School District's Financial Report**



**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, deferred inflows and outflows both financial and capital, short-term and long-term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows, and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's *combined* net position was \$8,222,226 on June 30, 2019, which is \$2,373,171, or 40.57%, more than the year before. (See Figure A-3).

**Figure A-3
Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Current and Other Assets	\$ 7,639,470	\$ 4,600,830	\$ 12,637	\$ 3,932	\$ 7,652,107	\$ 4,604,762	
Capital Assets, Net	9,080,443	10,620,057	5,956		9,086,399	10,620,057	
Total Assets	16,719,913	15,220,887	18,593	3,932	16,738,506	15,224,819	9.94%
Deferred Outflows of Resources	1,023,562	1,205,429			1,023,562	1,205,429	-15.09%
Long-Term Liabilities	7,651,421	8,753,286			7,651,421	8,753,286	
Other Liabilities	332,544	351,002		1,439	332,544	352,441	
Total Liabilities	7,983,965	9,104,288		1,439	7,983,965	9,105,727	-12.32%
Deferred Inflows of Resources	1,555,877	1,475,466			1,555,877	1,475,466	5.45%
Net Position:							
Net Investment in Capital Assets	6,753,818	5,611,594	5,956		6,759,774	5,611,594	
Restricted	4,401,846	3,941,212			4,401,846	3,941,212	
Unrestricted/(Deficit)	(2,952,031)	(3,706,244)	12,637	2,493	(2,939,394)	(3,703,751)	
Total Net Position	\$ 8,203,633	\$ 5,846,562	\$ 18,593	\$ 2,493	\$ 8,222,226	\$ 5,849,055	40.57%

Changes in Net Position. Net position from governmental activities increased \$2,357,071 while net position from business-type activities increased \$16,100.

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

**Figure A-4
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percent Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Revenue:							
Program Revenue:							
Charges for Services	\$ 473,183	\$ 441,899	\$ 214,472	\$ 201,554	\$ 687,655	\$ 643,453	
Operating Grants/Contributions	4,175,882	5,259,102			4,175,882	5,259,102	
General Revenue:							
Property Taxes	14,777,790	14,190,942			14,777,790	14,190,942	
Other	1,128,043	487,440			1,128,043	487,440	
Total Revenue	<u>20,554,898</u>	<u>20,379,383</u>	<u>214,472</u>	<u>201,554</u>	<u>20,769,370</u>	<u>20,580,937</u>	0.92%
Expenses:							
Instruction	10,983,440	11,590,731			10,983,440	11,590,731	
Pupil and Instruction Services	3,769,961	3,915,311			3,769,961	3,915,311	
Administrative and Business	1,457,918	2,125,012			1,457,918	2,125,012	
Maintenance and Operations	1,316,573	1,342,596			1,316,573	1,342,596	
Transportation	158,973	150,172			158,973	150,172	
Other	510,962	276,855	198,372	208,999	709,334	485,854	
Total Expenses	<u>18,197,827</u>	<u>19,400,677</u>	<u>198,372</u>	<u>208,999</u>	<u>18,396,199</u>	<u>19,609,676</u>	-6.19%
Increase/Decrease in Net Position	<u>\$ 2,357,071</u>	<u>\$ 978,706</u>	<u>\$ 16,100</u>	<u>\$ (7,445)</u>	<u>\$ 2,373,171</u>	<u>\$ 971,261</u>	144.34%

Revenue Sources. The District's total revenue for the 2018/2019 school year was \$20,554,898. (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$14,777,790 of the total, or 71.15 percent. The Borough of Demarest School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. However, maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources.

It is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

Figure A-5 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial obligation placed on the District's taxpayers by each of these functions:

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

**Figure A-5
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2018/2019	2017/2018	2018/2019	2017/2018
Instruction	\$ 10,983,440	\$ 11,590,731	\$ 7,144,757	\$ 6,963,515
Pupil and Instruction Services	3,769,961	3,915,311	3,245,866	3,217,810
Administration and Business	1,457,918	2,125,012	1,178,626	1,757,793
Maintenance and Operations	1,316,573	1,342,596	1,316,573	1,339,041
Transportation	158,973	150,172	151,978	144,662
Other	510,962	276,855	510,962	276,855
	<u>\$ 18,197,827</u>	<u>\$ 19,400,677</u>	<u>\$ 13,548,762</u>	<u>\$ 13,699,676</u>

Business-Type Activities

Net position from the District's business-type activity increased by \$16,100, (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses by \$16,100, accounting for all of the increase in the net position of the business-type activities.

Financial Analysis of the District's Funds

The District's financial position improved during the year. Expenditures during the recent year increased as a result of an increased number of pupils with disabilities entering the School District. In addition to greater numbers, these pupils are more profoundly disabled and require more complex educational and related services.

A continued increase in the enrollment of disabled students has also forced the District to expand its classroom teaching staff, special education aides and special transportation. The cost of these additional teachers, and special education aides, however, has largely been offset by salary reductions realized from the retirement of a significant number of veteran staff. Fringe benefit costs for all staff have increased dramatically in the past several years. The Board has changed to a different Health Benefits carrier in order to reduce costs in this area.

Legislation (S-1701) which reduced the District's unassigned General Fund surplus funds to 2% of the budget has had a direct impact on the District's planning for upcoming years. The District now has less funds available in the event of an emergency or unanticipated special education tuition. Consideration must be given to suspending the practice of utilizing unassigned fund balance to reduce the tax levy in future budgets. Increases in operating costs could exceed expected growth in the Borough's ratables and could potentially increase local taxes in the future. In order to maintain a stable financial position, the District must continue its practice of sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

**BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMAREST, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Capital Asset and Long Term Liabilities

Figure A-6

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percent Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Land	\$ 1,303,570	\$ 1,303,570			\$ 1,303,570	\$ 1,303,570	
Construction in Progress	680,000	338,201			680,000	338,201	
Buildings and Building Improvements	8,564,824	8,727,689			8,564,824	8,727,689	
Machinery & Equipment	515,619	250,597	\$ 5,956	\$ -0-	521,575	250,597	
Total Capital Assets, (Net of Depreciation)	\$11,064,013	\$10,620,057	\$ 5,956	\$ -0-	\$11,069,969	\$10,620,057	4.24%

Figure A-7

Outstanding Long-Term Debt

	Total School District		Percent Change
	2018/2019	2017/2018	
General Obligation Bonds	\$ 3,715,000	\$ 4,160,000	
Obligations Under Capital Leases	353,017	571,688	
Compensated Absences Payable	278,655	279,497	
Unamortized Bond Premium	242,178	276,775	
Net Pension Liability - PERS	3,091,504	3,465,326	
	\$ 7,680,354	\$ 8,753,286	-12.26%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Statutory limitation on Tax Levy increases of 2%
- Very limited State Aid expected
- Limitation on District's General Fund Unassigned Fund Balance

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Thomas J. Perez, Board Secretary/Business Administrator at 568 Piermont Road, Demarest, NJ 07627.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,979,808	\$ 12,200	\$ 3,992,008
Interfund Receivables	6,460		6,460
Receivables from State Government	217,641		217,641
Receivables from Other Governments	6,711		6,711
Receivables - Other	6,481		6,481
Inventory		437	437
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,438,799		1,438,799
Capital Assets:			
Sites (Land)	1,303,570		1,303,570
Construction in Progress	680,000		680,000
Depreciable Buildings and Building Improvements and Machinery and Equipment	<u>9,080,443</u>	<u>5,956</u>	<u>9,086,399</u>
Total Assets	<u>16,719,913</u>	<u>18,593</u>	<u>16,738,506</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	67,281		67,281
Deferred Outflows for Pensions	956,281		956,281
Total Deferred Outflows of Resources	<u>1,023,562</u>		<u>1,023,562</u>
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	55,013		55,013
Accounts Payable - Vendors	168,580		168,580
Unearned Revenue	80,018		80,018
Noncurrent Liabilities:			
Due Within One Year	578,637		578,637
Due Beyond One Year	7,101,717		7,101,717
Total Liabilities	<u>7,983,965</u>		<u>7,983,965</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows in Pensions	1,555,877		1,555,877
Total Deferred Inflows of Resources	<u>1,555,877</u>		<u>1,555,877</u>
NET POSITION			
Net Investment in Capital Assets	6,753,818	5,956	6,759,774
Restricted for:			
Capital Projects	1,272,154		1,272,154
Excess Surplus	3,129,692		3,129,692
Unrestricted (Deficit)	<u>(2,952,031)</u>	<u>12,637</u>	<u>(2,939,394)</u>
Total Net Position	<u>\$ 8,203,633</u>	<u>\$ 18,593</u>	<u>\$ 8,222,226</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 8,224,315	\$ 473,183	\$ 1,994,349	\$ (6,229,966)		\$ (6,229,966)
Special Education	1,966,677		1,157,982	(335,512)		(335,512)
Other Special Instruction	690,758		213,169	(477,589)		(477,589)
School Sponsored Instruction	101,690			(101,690)		(101,690)
Support Services:						
Tuition	776,407			(776,407)		(776,407)
Student & Instruction Related Services	2,993,554		524,095	(2,469,459)		(2,469,459)
General Administrative Services	326,854		131,496	(195,358)		(195,358)
School Administrative Services	706,029		147,796	(558,233)		(558,233)
Central Services	425,035			(425,035)		(425,035)
Plant Operations and Maintenance	1,316,573			(1,316,573)		(1,316,573)
Pupil Transportation	158,973		6,995	(151,978)		(151,978)
Interest on Long-Term Debt	128,003			(128,003)		(128,003)
Capital Outlay	382,959			(382,959)		(382,959)
Total Governmental Activities	18,197,827	473,183	4,175,882	(13,548,762)		(13,548,762)

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues		Net (Expenses)/Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:						
Food Service	\$ 198,372	\$ 214,472			\$ 16,100	\$ 16,100
Total Business-Type Activities	198,372	214,472			16,100	16,100
Total Primary Government	\$ 18,396,199	\$ 687,655	\$ 4,175,882	\$ (13,548,762)	16,100	(13,532,662)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				14,202,770		14,202,770
Taxes Levied for Debt Service				575,020		575,020
Investment Earnings				3,952		3,952
Miscellaneous Income				94,091		94,091
Capital Lease Proceeds				1,030,000		1,030,000
Total General Revenues				15,905,833		15,905,833
Change in Net Position				2,357,071	16,100	2,373,171
Net Position - Beginning				5,846,562	2,493	5,849,055
Net Position - Ending				\$ 8,203,633	\$ 18,593	\$ 8,222,226

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

BOROUGH OF DEMAREST SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 3,616,867	\$ 18	\$ 362,923	\$ 3,979,808
Interfund Receivable	6,460		168,077	174,537
Receivables from State Government	217,641			217,641
Receivables from Other Governments	6,711			6,711
Other Accounts Receivable	6,481			6,481
Restricted Cash and Cash Equivalents	1,438,799			1,438,799
TOTAL ASSETS	\$ 5,292,959	\$ 18	\$ 531,000	\$ 5,823,977
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable	\$ 168,077			\$ 168,077
Accounts Payable - Vendors	17,513			17,513
Unearned Revenue	80,000	\$ 18		80,018
Total Liabilities	265,590	18		265,608
Fund Balances:				
Restricted for:				
Excess Surplus - Current Year	1,454,692			1,454,692
Excess Surplus - Prior Year - Subsequent Year's Expenditures	1,675,000			1,675,000
Capital Reserve Account	1,272,154			1,272,154
Committed to:				
Year-End Encumbrances			\$ 531,000	\$ 531,000
Assigned:				
Year-End Encumbrances	13,288			13,288
Subsequent Year's Expenditures	159,287			159,287
Unassigned	452,948			452,948
Total Fund Balances	5,027,369		531,000	5,558,369
TOTAL LIABILITIES & FUND BALANCES	\$ 5,292,959	\$ 18	\$ 531,000	\$ 5,823,977

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:

Total Fund Balances - Governmental Funds (Above)	\$ 5,558,369
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$19,835,097 and the accumulated depreciation is \$8,771,084. (See Note 5)	11,064,013
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 6)	(4,346,672)
Accrued Interest on Long-Term Liabilities, including Bonds Payable, is not due and payable in the current period and therefore is not reported as a liability in the funds.	(55,013)
Bond premiums are not reported as revenue in the governmental funds in the year the bonds are sold.	(242,178)
Bond issuance discounts are reported as expenditures in the governmental funds in the year the bonds are sold.	67,281
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(3,091,504)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Deferred Outflows	805,214
Deferred Inflows	(1,555,877)
Net Position of Governmental Activities	\$ 8,203,633

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 14,202,770			\$ 575,020	\$ 14,777,790
Tuition	473,183				473,183
Capital Reserve Interest	3,952				3,952
Miscellaneous	81,074	\$ 1,974	\$ 13,017		96,065
Total - Local Sources	14,760,979	1,974	13,017	575,020	15,350,990
State Sources	2,618,257				2,618,257
Federal Sources		171,385			171,385
Total Revenues	17,379,236	173,359	13,017	575,020	18,140,632
EXPENDITURES:					
Current:					
Instruction:					
Regular Instruction	4,634,655	11,484			4,646,139
Special Education Instruction	1,110,061	161,681			1,271,742
Other Special Instruction	341,758				341,758
School Sponsored Instruction	101,690				101,690
Support Services and Undistributed Costs:					
Tuition	776,407				776,407
Student & Instruction Related Services	1,860,221	194			1,860,415
General Administration Services	325,801				325,801
School Administration Services	407,215				407,215
Central Services	316,986				316,986

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Current:					
Support Services and Undistributed Costs:					
Administrative Information Technology	\$ 5,214				\$ 5,214
Plant Operations and Maintenance	1,146,505				1,146,505
Pupil Transportation	153,885				153,885
Allocated and Unallocated Benefits	4,799,249				4,799,249
Capital Outlay	647,850		\$ 698,260		1,346,110
Debt Service:					
Principal				\$ 445,000	445,000
Interest and Other Charges				164,500	164,500
Total Expenditures	16,627,497	\$ 173,359	698,260	609,500	18,108,616
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	751,739		(685,243)	(34,480)	32,016
OTHER FINANCING SOURCES/(USES):					
Capital Lease Proceeds			1,030,000		1,030,000
Transfers In	14,356		181,000		195,356
Transfers Out	(181,000)		(14,356)		(195,356)
Total Other Financing Sources/(Uses)	(166,644)		1,196,644		1,030,000
Net Change in Fund Balances	585,095		511,401	(34,480)	1,062,016
Fund Balance—July 1	4,442,274		19,599	34,480	4,496,353
Fund Balance—June 30	\$ 5,027,369	\$ -0-	\$ 531,000	\$ -0-	\$ 5,558,369

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$ 1,062,016				
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:					
Capital Outlays are reported in the Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which Depreciation differs from Capital Outlays during the period.					
	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="padding-right: 10px;">Depreciation Expense</td> <td style="text-align: right;">\$ (547,455)</td> </tr> <tr> <td style="padding-right: 10px;">Capital Outlays</td> <td style="text-align: right;"><u>963,151</u></td> </tr> </table>	Depreciation Expense	\$ (547,455)	Capital Outlays	<u>963,151</u>
Depreciation Expense	\$ (547,455)				
Capital Outlays	<u>963,151</u>				
In the Statement of Activities, certain operating expenses, e.g., compensated absences (sick days) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).	443,956				
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces Long-term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.	842				
The governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities (+)	445,000				
The governmental funds report the effect the deferred amount on the refunding relative to advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (-)	34,597				
In the Statement of Activities, Interest on Long-term Debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).	(9,612)				
Repayment of Capital Leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.	11,512				
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:					
Change in Net Pension Liability	373,822				
Change in Deferred Outflows	(143,322)				
Change in Deferred Inflows	<u>(80,411)</u>				
Change in Net Position of Governmental Activities (Exhibit A-2)	<u>\$ 2,357,071</u>				

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Business-Type Activities Enterprise Funds</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 12,200
Inventory	437
	12,637
Total Current Assets	12,637
Non-Current Assets:	
Capital Assets	64,641
Less: Accumulated Depreciation	(58,685)
	5,956
Total Non-Current Assets	5,956
Total Assets	18,593
NET POSITION:	
Investment in Capital Assets	5,956
Unrestricted	12,637
	18,593
Total Net Position	\$ 18,593

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities Enterprise Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 214,472
Total Operating Revenue	<u>214,472</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	103,233
Salaries, Payroll Taxes & Benefits	93,002
Supplies and Materials	1,475
Depreciation Expense	<u>662</u>
Total Operating Expenses	<u>198,372</u>
Operating Income	16,100
Net Position- Beginning of Year	<u>2,493</u>
Net Position- End of Year	<u><u>\$ 18,593</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Business-Type Activities Enterprise Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 214,472
Payments to Employees	(93,002)
Payments to Vendors	(104,735)
Payments to Suppliers	(1,475)
	15,260
Net Cash Provided by Operating Activities	
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(6,618)
	(6,618)
Net Cash Used for Capital and Related Financing Activities	
Net Increase in Cash and Cash Equivalents	8,642
Cash and Cash Equivalents, July 1	3,558
Cash and Cash Equivalents, June 30	\$ 12,200
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 16,100
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	662
Changes in Assets and Liabilities:	
(Decrease) in Interfund Payable	(1,439)
(Increase) in Inventory	(63)
	15,260
Net Cash Provided by Operating Activities	\$ 15,260

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency</u>	<u>Flex Spending Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 118,393	\$ 9,406
Total Assets	<u>118,393</u>	<u>9,406</u>
LIABILITIES:		
Interfund Payable - General Fund		6,460
Payroll Deductions and Withholdings	70,009	
Due to Student Groups	<u>48,384</u>	
Total Liabilities	<u>118,393</u>	<u>6,460</u>
NET POSITION:		
Held in Trust for: Flex Spending Claims		<u>2,946</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 2,946</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Flex Spending Trust</u>
Additions:	
Contributions:	
Employee Contributions	\$ 15,200
Total Contributions	<u>15,200</u>
Total Additions	<u>15,200</u>
Deductions:	
Due to General Fund - Advance on Deposits	6,460
Flex Spending Claims	<u>14,521</u>
Total Deductions	<u>20,981</u>
Change in Net Position	(5,781)
Net Position - Beginning of the Year	<u>8,727</u>
Net Position - End of the Year	<u><u>\$ 2,946</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Borough of Demarest School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation:

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: This Enterprise Fund accounts for all revenue and expenses pertaining to the District's cafeteria operations. The fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities, Payroll Agency, and Flexible Spending Trust Fund.

C. Measurement Focus and Basis of Accounting:

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 17,383,412	\$ 173,359
Differences - Budget to GAAP:		
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	25,399	
Current year State Aid payments recognized for budgetary purposes, not recognized for GAAP Statements.	(29,575)	
Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 17,379,236	\$ 173,359

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 16,627,497	\$ 173,359
Total Expenditures as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 16,627,497	\$ 173,359

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the Enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year-end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	50 Years
Furniture and Equipment	10 to 15 Years
Computer and Related Technology	5 Years
Vehicles	8 Years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and the related depreciation is not reported in the fund financials.

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services to the District over a ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year; therefore, there are no accrued salaries and wages as of June 30, 2019.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with District personnel policies. Upon termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after varying years of service based upon employees' individual contracts.

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due after one year.

O. Unearned Revenue:

Unearned revenue in the Special Revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated:

General Fund: Of the \$5,027,369 General Fund fund balance at June 30, 2019, \$1,272,154 is restricted in the capital reserve account; \$1,454,692 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2021; \$1,675,000 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2020; \$13,288 is assigned year end encumbrances; and \$452,948 is unassigned which is \$29,575 less than the Budgetary basis, due to the final state aid payments, which are not recognized until the fiscal year ending June 30, 2020.

Debt Service Fund: The Debt Service Fund has \$-0- of restricted fund balance at June 30, 2019.

Capital Projects Fund: The Capital Projects fund has \$531,000 of committed fund balance at June 30, 2019.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2003, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$29,575, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Deficit in Net Position:

The District has a deficit in unrestricted net position of \$2,952,031 in its governmental activities, which is primarily due to deferred outflows, inflows and liabilities related to pensions. This deficit does not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2019 related to pensions and for the deferred amount on the refunding of the District's bonds. The District had deferred inflows of resources at June 30, 2019 related to pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus and a capital reserve.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion, or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund of \$531,000 at June 30, 2019.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources in the General Fund of \$13,288 for encumbrances at June 30, 2019.

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for the food service program. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Fund.

U. Revenue - Exchange and Non-exchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which New Jersey school districts are permitted to invest their funds.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Deposits: (Cont'd)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a, or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.);

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
- (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

As of June 30, 2019, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 4,119,807	\$ 1,438,799	\$ 5,558,606

During the period ended June 30, 2019, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2019, was \$5,558,606 and the bank balance was \$5,724,397.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution during for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by a transfer by Board resolution at year-end of any unanticipated revenue or unexpended line item appropriation, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	\$ 434,847
Increased by:	
Interest Earned	3,951
Transfers from Capital Projects Fund	14,356
Board Resolution	1,000,000
Decreased by:	
Transfers to Capital Projects Fund	181,000
Ending Balance, June 30, 2019	\$ 1,272,154

The June 30, 2019 LRFP balance of local support costs of uncompleted capital projects at June 30, 2019 exceeds the balance in the capital reserve account as of June 30, 2019. The withdrawal from the capital reserve account was for the use in DOE approved facilities projects, consistent with the District’s LRFP.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	(Restated) Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,303,570			\$ 1,303,570
Construction in Progress	338,201	\$ 680,000	(338,201)	680,000
Total Capital Assets not Being Depreciated	<u>1,641,771</u>	<u>680,000</u>	<u>(338,201)</u>	<u>1,983,570</u>
Capital Assets Being Depreciated				
Buildings and Building Improvements	15,210,967	85,520	\$ 366,461	15,662,948
Machinery and Equipment	1,990,948	197,631		2,188,579
Total Capital Assets Being Depreciated	<u>17,201,915</u>	<u>283,151</u>	<u>366,461</u>	<u>17,851,527</u>
Governmental Activities Capital Assets	<u>18,843,686</u>	<u>963,151</u>	<u>28,260</u>	<u>19,835,097</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(6,483,278)	(382,803)	\$ (232,043)	(7,098,124)
Machinery and Equipment	(1,740,351)	(164,652)	232,043	(1,672,960)
Total Accumulated Depreciation	<u>(8,223,629)</u>	<u>(547,455)</u>	<u>232,043</u>	<u>(8,771,084)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,620,057</u>	<u>\$ 415,696</u>	<u>\$ 28,260</u>	<u>\$ 11,064,013</u>
Business -Type Activities:				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 65,420	\$ 6,618	\$ (7,397)	\$ 64,641
Less: Accumulated Depreciation	(65,420)	(662)	7,397	(58,685)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ -0-</u>	<u>\$ 5,956</u>	<u>\$ -0-</u>	<u>\$ 5,956</u>

The District expended \$680,000 towards construction projects in progress during the fiscal year. As of June 30, 2019, the District has \$1,567,461 of active construction projects, of which \$1,036,461 has already been expended and \$531,000 is encumbered. Additionally, the District expended \$283,151 from its current year capital budget, and depreciated \$547,455 of its governmental capital assets.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	344,732
Student & Instruction Related Services		157,503
General Administrative Services		4,161
School Administrative Services		10,292
Plant Operations and Maintenance		25,402
Pupil Transportation		5,365
	<u>\$</u>	<u>547,455</u>

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the District-wide financial statements:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2019</u>
Serial Bonds Payable	\$ 4,160,000		\$ 445,000	\$ 3,715,000
Capital Leases Payable	571,688		218,671	353,017
Unamortized Bond Premium	276,775		34,597	242,178
Compensated Absences Payable	279,497		842	278,655
Net Pension Liability - PERS	3,465,326		373,822	3,091,504
	<u>\$ 8,753,286</u>	<u>\$ -0-</u>	<u>\$ 1,072,932</u>	<u>\$ 7,680,354</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and will be retired through the Debt Service Fund.

The District had bonds outstanding at June 30, 2019 as follows:

<u>Purpose</u>	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity Date</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
Series 2016 Refunding School Bonds	12/20/16	02/15/26	3.00-5.00%	<u>\$ 3,715,000</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

Principal and interest due on serial bonds outstanding are as follows:

Fiscal Year	Bonds		Total
	Principal	Interest	
2020	470,000	146,700	\$ 616,700
2021	490,000	127,900	617,900
2022	515,000	108,300	623,300
2023	530,000	87,700	617,700
2024	550,000	66,500	616,500
2025-2026	1,160,000	66,200	1,226,200
	<u>\$ 3,715,000</u>	<u>\$ 603,300</u>	<u>\$ 4,318,300</u>

B. Unamortized Bond Premium

The unamortized bond issuance premium of the governmental fund types is recorded in the noncurrent liabilities. The current portion of the unamortized bond issuance premium balance of the governmental funds is \$34,597 and is separated from the long-term liability balance of \$207,581.

C. Bonds Authorized But Not Issued:

As of June 30, 2019, the District has no bonds authorized but not issued.

D. Capital Leases Payable:

The District purchased various computer technology equipment and copiers under capital leases. All capital leases are for terms of four years for the computer technology equipment and five years for the copiers and will be retired through the General Fund. The District has entered into capital leases totaling \$794,949 of which \$441,932 has been liquidated as of June 30, 2019. The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2019.

Fiscal Year	Amount
2020	149,490
2021	138,753
2022	74,699
	<u>362,942</u>
Less: Amount Representing Interest	<u>(9,925)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 353,017</u>

The current portion of capital leases payable is \$144,225 and the long term portion is \$208,792.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

E. Compensated Absences Payable:

No portion of the compensated absences balance represents a current liability; therefore, the entire balance of \$278,655 is reported as a long-term liability in the governmental fund types. The General Fund will be used to liquidate Compensated Absences Payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2019, no liability existed for compensated absences in the Food Service Fund.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2019 is \$-0- and the long-term portion is \$3,091,504. See Note 7 for further information on the PERS.

NOTE 7. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$157,021 for fiscal year 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability of \$3,091,504 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.0157%, which was an increase of 0.0009% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$8,580. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 24,469	
	2015	5.72	110,440	
	2016	5.57	374,520	
	2017	5.48		\$ 569,895
	2018	5.63		418,603
			<u>509,429</u>	<u>988,498</u>
Changes in Proportion	2014	6.44	85,691	
	2015	5.72		300,597
	2016	5.57		186,013
	2017	5.48		35,830
	2018	5.63		
			<u>151,140</u>	<u>522,440</u>
			<u>236,831</u>	
Difference Between Expected and Actual Experience	2015	5.72	30,641	
	2016	5.57	11,366	
	2017	5.48	16,948	
	2018	5.63		15,941
			<u>58,955</u>	<u>15,941</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00		-0-
	2015	5.00		(18,681)
	2016	5.00		(104,436)
	2017	5.00		93,997
	2018	5.00		58,118
				<u>28,998</u>
Contribution Subsequent to Measurement Date	2017	1.00	151,067	
			<u>\$ 956,282</u>	<u>\$ 1,555,877</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the contribution subsequent to measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2019	\$ 21,457
2020	(29,707)
2021	(213,023)
2022	(184,652)
2023	(59,128)
	\$ (465,053)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent modified 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
District's proportionate share of the Net Pension Liability	\$ 3,887,210	\$ 3,091,504	\$ 2,423,957

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/financial-reports.shtml.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2019, the State of New Jersey contributed \$1,091,423 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,880,558.

The employee contribution rate was 7.50% effective July 1, 2018. Increases after October 1, 2011 were being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the State's proportionate share of the net pension liability associated with the District was \$32,258,497. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.050%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	32,258,497
	32,258,497
Total	\$ 32,258,497

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$1,880,558 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,076,424,469	
	2015	8.3	3,063,649,492	
	2016	8.3	6,913,685,892	
	2017	8.3		\$ 10,084,192,916
	2018	8.29		5,994,557,085
			<u>11,053,759,853</u>	<u>16,078,750,001</u>
Difference Between Expected and Actual Experience	2014	8.5		10,252,211
	2015	8.3	189,214,650	
	2016	8.3		85,977,601
	2017	8.3	179,419,108	
	2018	8.29	1,051,605,259	
			<u>1,420,239,017</u>	<u>96,229,812</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.0		(192,642,062)
	2015	5.0		(863,710,381)
	2016	5.0		678,024,787
	2017	5.0		384,121,486
	2018	5.0		
				<u>5,793,830</u>
			<u>\$ 12,473,998,870</u>	<u>\$ 16,180,773,643</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	(3,210,092,402)
	\$ (3,706,774,773)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55 – 4.55%
Thereafter	2.00 – 5.45%
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 50% of their actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 38,128,931	\$ 32,258,497	\$ 27,392,051

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$24,732 for the fiscal year ended June 30, 2019. Employee contributions to DCRP amounted to \$33,586 for the fiscal year ended June 30, 2019.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 8. RISK MANAGEMENT

The District maintains insurance coverage for property, liability, student accident and surety bonds. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits are covered through Horizon Blue Cross/Blue Shield of New Jersey.

Property and Liability Insurance

The District is a member of the Northeast Bergen County School Board Insurance Group (the “Group”). This public entity risk management group provides general liability, property and automobile coverage and workers’ compensation coverage for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of this Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group’s liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Selected, summarized financial information for the Group as of June 30, 2019 is as follows:

Total Assets	\$	32,441,723
Net Position	\$	19,557,163
Total Revenue	\$	14,472,107
Total Expenses	\$	11,208,523
Change in Net Position	\$	3,263,584
Member Dividends	\$	1,860,981

Financial statements for the Group are available at the Group’s Executive Director’s Office.

Burton Agency
44 Bergen Street
P.O. Box 270
Westwood, NJ 07675
(201) 664-0310

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District’s claims are paid by the State.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 9. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

- Great American Life Insurance Company (G.A.L.I.C.)
- AXA/Equitable Life Assurance
- Metropolitan Life Insurance Company
- Prudential Insurance Company

NOTE 10. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balance remained on the balance sheet at June 30, 2019:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 6,460	\$ 168,077
Capital Projects Fund	168,077	
Fiduciary Funds - Flex Spending Trust		6,460
	\$ 174,537	\$ 174,537

The interfund receivable in the General Fund due from Flex Spending Trust is for a payment that was advanced during the year. The interfund payable from the General Fund due to the Capital Projects fund is for Capital Reserve funds owed to the Capital Projects fund.

NOTE 12. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December. Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined, agreed-upon schedule.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 13. CONTINGENT LIABILITIES

Grant Programs

The school district participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District estimates that any potential claims against it resulting from litigation which would not be covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2019, the District had the following encumbrances:

	General Fund	Capital Projects Fund	Total Governmental Type-Activities
	\$ 13,288	\$ 531,000	\$ 544,288
	<u>\$ 13,288</u>	<u>\$ 531,000</u>	<u>\$ 544,288</u>

NOTE 14. ACCOUNTS PAYABLE

At June 30, 2019, the District had the following accounts payable:

	General Fund	District Contribution Subsequent to Measurement Date	Total Governmental Type-Activities
Vendors	\$ 17,513		\$ 17,513
State of New Jersey		\$ 151,067	151,067
	<u>\$ 17,513</u>	<u>\$ 151,067</u>	<u>\$ 168,580</u>

NOTE 15. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2019, the District transferred \$15,902 to the capital outlay accounts which was transferred for equipment and therefore did not require the approval from the County Superintendent.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2017, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	145,050
Active Plan Members	217,131
Total	362,181

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%	
	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Discount Rate

The discount rates for June 30, 2018 and 2017 were 3.87% and 3.58%, respectively, a change of +.29%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the State's Proportionate Share of the Total OPEB Liability Associated with the District

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 24,711,493
Changes for Year:	
Service Cost	1,005,021
Interest on the Total OPEB Liability	910,877
Changes of Assumptions	(2,448,728)
Differences between Expected and Actual Experience	(2,289,048)
Gross Benefit Payments by the State	(570,590)
Contributions from Members	19,721
	<u>(3,372,747)</u>
Balance at June 30, 2018	<u>\$ 21,338,746</u>

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 25,226,742	\$ 21,338,746	\$ 18,248,191

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 17,637,716	\$ 21,338,746	\$ 26,233,499

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$1,090,199 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:

	Year of Deferral	Original Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2017	9.54		\$ (2,591,951)
Changes in Assumptions	2018	9.51		(2,191,238)
			\$ -0-	(4,783,189)
Differences Between Expected and Actual Experience	2018	9.51		(2,071,402)
Changes in Proportion	N/A	N/A	148,952	
			\$ 148,952	\$ (6,854,591)

N/A - Not Available

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2019	\$ (844,658)
2020	(844,658)
2021	(844,658)
2022	(844,658)
2023	(844,658)
Thereafter	(2,631,302)
	\$ (6,854,591)

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

BOROUGH OF DEMAREST SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's proportion of the net pension liability	0.0223680527%	0.0171748910%	0.0151452233%	0.0148864435%
District's proportionate share of the net pension liability	\$ 4,187,911	\$ 3,855,419	\$ 4,485,581	\$ 3,465,326
District's covered employee payroll	\$ 1,019,081	\$ 979,710	\$ 1,037,302	\$ 1,070,343
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	410.95%	393.53%	432.43%	323.76%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%
				53.60%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 155,922	\$ 147,658	\$ 135,182	\$ 142,539	\$ 157,021
Contributions in relation to the contractually required contribution	<u>(155,922)</u>	<u>(147,658)</u>	<u>(135,182)</u>	<u>(142,539)</u>	<u>(157,021)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 984,256	\$ 1,019,081	\$ 979,710	\$ 1,037,302	\$ 1,070,343
Contributions as a percentage of covered employee payroll	15.84%	14.49%	13.80%	13.74%	14.67%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY ASSOCIATED WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's proportion of the net pension liability attributable to the District	0.0494226942%	0.0538946123%	0.0526964833%	0.0516118696%	0.0507066748%
State's proportionate share of the net pension liability attributable to the District	\$ 26,414,822	\$ 34,063,696	\$ 41,454,409	\$ 34,798,584	\$ 32,258,497
District's covered employee payroll	\$ 5,266,327	\$ 5,373,803	\$ 5,418,786	\$ 5,881,725	\$ 6,396,888
State's proportionate share of the net pension liability associated with the District as a percentage of its covered employee payroll	501.58%	633.88%	765.01%	591.64%	504.28%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%	25.41%	26.49%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST FIVE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution	\$ 1,421,365	\$ 2,079,895	\$ 3,114,722	\$ 2,410,670	\$ 1,880,558
Contributions in relation to the contractually required contribution	(291,374)	(421,909)	(560,233)	(764,852)	(1,091,423)
Contribution deficiency/(excess)	\$ 1,129,991	\$ 1,657,986	\$ 2,554,489	\$ 1,645,818	\$ 789,135
District's covered employee payroll	\$ 5,266,327	\$ 5,373,803	\$ 5,418,786	\$ 5,881,725	\$ 6,396,888
Contributions as a percentage of covered employee payroll	5.53%	7.85%	10.34%	13.00%	17.06%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF DEMAREST SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2017	2018
Total OPEB Liability		
Service Cost	\$ 1,216,757	\$ 1,005,021
Interest Cost	784,665	910,877
Differences Between Expected and Actual Experiences		(2,289,048)
Changes in Assumptions	(3,327,691)	(2,448,728)
Member Contributions	21,076	19,721
Gross Benefit Payments	(572,371)	(570,590)
	(1,877,564)	(3,372,747)
Net Change in Total OPEB Liability		
Total OPEB Liability - Beginning	26,589,057	24,711,493
Total OPEB Liability - Ending	\$ 24,711,493	\$ 21,338,746
District's Covered Employee Payroll *	\$ 6,353,513	\$ 6,456,088
Total OPEB Liability as a Percentage of Covered Employee Payroll	25.71%	30.26%

* - Covered payroll for the fiscal years ending June 30, 2017 and June 30, 2018 are based on the payroll on the June 30, 2016 and June 30, 2017 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent modified 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018. The municipal bond rate changed from 3.58 to 3.87%.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

B. TEACHERS' PENSION AND ANNUITY FUND (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The salary increases in the July 1, 2016 valuation were as follows: 2012-2021 and thereafter – varies based on experience. The salary increases in the July 1, 2017 valuation are as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The mortality rates in the valuation as of June 30, 2018 were based on the following:

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)
(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 14,202,770		\$ 14,202,770	\$ 14,202,770	
Tuition:					
From Individuals	293,952		293,952	338,935	\$ 44,983
From Other LEA's	57,187		57,187	134,248	77,061
Interest Earned on Capital Reserve Funds	500		500	3,952	3,452
Miscellaneous	23,000		23,000	81,074	58,074
Total - Local Sources	14,577,409		14,577,409	14,760,979	183,570
State Sources:					
Categorical Special Education Aid	311,177		311,177	311,177	
Categorical Security Aid	31,678		31,678	31,678	
Categorical Transportation Aid	49,777		49,777	49,777	
Extraordinary Special Education Costs Aid				189,390	189,390
Non-Public Transportation Aid				6,995	6,995
TPAF Pension Contributions (non-budgeted)				1,069,045	1,069,045
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				495,068	495,068
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				22,378	22,378
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				1,343	1,343
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				445,582	445,582
Total State Sources	392,632		392,632	2,622,433	2,229,801
TOTAL REVENUES	14,970,041		14,970,041	17,383,412	2,413,371

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 259,950	\$ (2,451)	\$ 257,499	\$ 255,406	\$ 2,093
Kindergarten - Salaries of Teachers	286,476	64,161	350,637	350,085	552
Grades 1-5 - Salaries of Teachers	1,905,596	(11,689)	1,893,907	1,879,800	14,107
Grades 6-8 - Salaries of Teachers	1,391,809	21,390	1,413,199	1,390,103	23,096
Regular Programs - Home Instruction:					
Salaries of Teachers	1,850	617	2,467	2,467	
Purchased Professional - Educational Services	2,650		2,650		2,650
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	142,246		142,246	136,628	5,618
Purchased Technical Services	146,050		146,050	132,090	13,960
Other Purchased Services (400-500 series)	182,284		182,284	174,918	7,366
General Supplies	370,971		370,971	298,817	72,154
Textbooks	8,440		8,440	8,272	168
Other Objects	7,135		7,135	6,069	1,066
Total Regular Programs - Instruction	4,705,457	72,028	4,777,485	4,634,655	142,830
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	51,447		51,447	51,447	
Other Salaries for Instruction	13,947		13,947	13,487	460
General Supplies	1,655		1,655	1,518	137
Total Learning and/or Language Disabilities	67,049		67,049	66,452	597
Home Instruction:					
Salaries of Teachers	2,000		2,000		2,000
Purchased Professional - Educational Services	3,000		3,000		3,000
Total Home Instruction	5,000		5,000		5,000

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 844,765	\$ (43,662)	\$ 801,103	\$ 793,303	\$ 7,800
Other Salaries for Instruction	247,667		247,667	239,856	7,811
General Supplies	11,638		11,638	10,450	1,188
Textbooks	30		30		30
Total Resource Room/Resource Center	1,104,100	(43,662)	1,060,438	1,043,609	16,829
Total Special Education Instruction	1,176,149	(43,662)	1,132,487	1,110,061	22,426
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	239,888	(27,926)	211,962	211,962	
General Supplies	12,970	(970)	12,000	6,921	5,079
Total Basic Skills/Remedial - Instruction	252,858	(28,896)	223,962	218,883	5,079
Bilingual Education - Instruction:					
Salaries of Teachers	72,130		72,130	72,130	
Purchased Professional Services - Educational	600		600		
Other Purchased Services (400-500 Series)	300	(112)	188	63	125
General Supplies	4,576	642	5,218	5,196	22
Other Objects	135		135	133	2
Total Bilingual Education - Instruction	77,741	530	78,271	77,522	149
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	89,484		89,484	83,126	6,358
Purchased Services (300-500 series)	1,500		1,500		1,500
Supplies and Materials	2,000		2,000	521	1,479
Other Objects	500		500	20	480
Total School-Sponsored Cocurricular Activities - Instruction	93,484		93,484	83,667	9,817

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
School-Sponsored Athletics - Instruction:					
Salaries	\$ 13,512	\$	\$ 13,512	\$ 13,512	
Purchased Services (300-500 series)	5,000	(4)	4,996	3,125	\$ 1,871
Supplies and Materials	1,030	4	1,034	1,033	1
Other Objects	750		750	353	397
Total School-Sponsored Athletics - Instruction	20,292		20,292	18,023	2,269
Community Services Programs / Operations:					
Salaries	36,719	184	36,903	36,903	
Purchased Services (300-500 series)	22,000	(184)	21,816	8,450	13,366
Total Community Services Programs / Operations	58,719		58,719	45,353	13,366
Total Instruction	6,384,700		6,384,700	6,188,164	195,936
Instruction:					
Tuition to Other LEAs Within the State - Special	981,594		981,594	617,585	364,009
Tuition to Private Schools for the Disabled - Within the State	187,236		187,236	158,822	28,414
Total Undistributed Expenditures - Instruction	1,168,830		1,168,830	776,407	392,423
Attendance and Social Work:					
Salaries	34,462		34,462	34,196	266
Total Attendance and Social Work	34,462		34,462	34,196	266
Health Services:					
Salaries	210,157		210,157	205,128	5,029
Purchased Professional and Technical Services	5,500		5,500	5,142	358
Other Purchased Services (400-500 series)	150		150	14	136
Supplies and Materials	19,882		19,882	14,015	5,867
Total Health Services	235,689		235,689	224,299	11,390

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Speech, OT, PT & Related Services:					
Salaries	\$ 286,138	\$ 500	\$ 286,638	\$ 286,635	\$ 3
Purchased Professional - Educational Services	207,300	(500)	206,800	103,229	103,571
Supplies and Materials	15,468	(85)	15,383	9,599	5,784
Other Objects	1,514	85	1,599	1,566	33
Total Speech, OT, PT & Related Services	510,420		510,420	401,029	109,391
Other Support Services - Students - Extraordinary Services:					
Salaries	161,559		161,559	152,083	9,476
Purchased Professional - Educational Services	200,000		200,000	142,069	57,931
Total Other Support Services - Students - Extraordinary Services	361,559		361,559	294,152	67,407
Guidance:					
Salaries of Other Professional Staff	140,380		140,380	139,925	455
Salaries of Secretarial and Clerical Assistants	24,569	600	25,169	25,168	1
Other Salaries		42	42	42	
Purchased Professional - Educational Services	4,000	2,323	6,323	6,322	1
Other Purchased Professional and Technical Services	15,000	(2,965)	12,035	10,698	1,337
Other Purchased Services (400-500 series)	100		100	66	34
Supplies and Materials	1,456		1,456	752	704
Other Objects	650		650	169	481
Total Guidance	186,155		186,155	183,142	3,013
Child Study Teams:					
Salaries of Other Professional Staff	333,079	(5,000)	328,079	327,693	386
Salaries of Secretarial and Clerical Assistants	67,240		67,240	67,240	
Other Salaries		10,900	10,900	10,876	24
Purchased Professional - Educational Services	106,914	(5,900)	101,014	91,351	9,663
Other Purchased Professional and Technical Services	3,500		3,500	2,800	700
Other Purchased Services (400-500 series)	5,960		5,960	4,641	1,319
Supplies and Materials	13,190		13,190	7,680	5,510
Other Objects	1,500		1,500	1,362	138
Total Child Study Teams	531,383		531,383	513,643	17,740

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 107,310		\$ 107,310	\$ 59,664	\$ 47,646
Purchased Professional - Educational Services	30,500	(587)	29,913	29,524	389
Other Purchased Professional and Technical Services	3,000		3,000	2,160	840
Other Purchased Services (400-500 series)	3,000		3,000	2,347	653
Supplies and Materials	150		150	106	44
Other Objects	1,500		1,500	308	1,192
Total Improvement of Instructional Services	145,460	(587)	144,873	94,109	50,764
Educational Media Services/School Library:					
Salaries	111,646		111,646	86,867	24,779
Purchased Professional and Technical Services	1,400	1,335	2,735	2,735	
Other Purchased Services (400-500 series)	200		200	28	172
Supplies and Materials	6,825	(748)	6,077	4,563	1,514
Other Objects	65		65	65	
Total Educational Media Services/School Library	120,136	587	120,723	94,258	26,465
Instructional Staff Training Services:					
Other Salaries	3,000		3,000	675	2,325
Purchased Professional - Educational Services	30,250		30,250	17,038	13,212
Other Purchased Services (400-500 series)	6,650		6,650	2,880	3,770
Supplies and Materials	1,150		1,150	800	350
Total Instructional Staff Training Services	41,050		41,050	21,393	19,657

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 249,040	\$ 248	\$ 249,288	\$ 249,288	\$ 18,411
Legal Services	33,834	(5,000)	28,834	10,423	
Audit Fees	15,000	1,000	16,000	16,000	
Architectural / Engineering Services	20,000	(1,248)	18,752		18,752
Other Purchased Professional Services	12,000		12,000	7,872	4,128
Communications/Telephone	35,500	(4,100)	31,400	22,997	8,403
BOE Other Purchased Services	7,500		7,500	5,032	2,468
Miscellaneous Purchased Services (400-500 series)	13,000		13,000	1,051	11,949
General Supplies	8,500		8,500	5,058	3,442
BOE In-House Training / Meeting Supplies	500		500	156	344
Miscellaneous Expenditures	2,500		2,500	1,614	886
BOE Membership Dues and Fees	8,000		8,000	6,310	1,690
Total Support Services - General Administration	405,374	(9,100)	396,274	325,801	70,473
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	272,770	7,422	280,192	280,190	2
Salaries of Secretarial and Clerical Assistants	98,274	2,400	100,674	100,673	1
Other Purchased Services (400-500 series)	9,190	(4,067)	5,123	4,914	209
Supplies and Materials	21,600	(755)	20,845	19,224	1,621
Other Objects	3,000		3,000	2,214	786
Total Support Services - School Administration	404,834	5,000	409,834	407,215	2,619
Central Services:					
Salaries	276,268		276,268	275,255	1,013
Miscellaneous Purchased Services (400-500 series)	42,710	2,500	45,210	37,584	7,626
Supplies and Materials	5,000		5,000	2,907	2,093
Miscellaneous Expenditures	1,500		1,500	1,240	260
Total Central Services	325,478	2,500	327,978	316,986	10,992

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Administrative Information Technology:					
Purchased Technical Services	\$ 3,000	\$ 7,500	\$ 3,000	\$ 2,514	\$ 486
Supplies and Materials			7,500	2,700	4,800
Total Administrative Information Technology	3,000	7,500	10,500	5,214	5,286
Required Maintenance of School Facilities:					
Salaries	112,937		112,937	112,219	718
Lead Testing of Drinking Water		1,000	1,000	965	35
Cleaning, Repair and Maintenance Services	88,900	(56,198)	32,702	19,937	12,765
General Supplies	20,500	(13,035)	7,465	7,148	317
Other Objects	17,465	99,233	116,698	112,821	3,877
Total Required Maintenance of School Facilities	239,802	31,000	270,802	253,090	17,712
Custodial Services:					
Salaries	404,428	(15,895)	388,533	356,748	31,785
Salaries of Non-Instructional Aides	18,000	3,395	21,395	21,395	
Unused Vacation Payment Retire/Term		26,688	26,688	26,687	1
Cleaning, Repair and Maintenance Services	15,000		15,000	5,166	9,834
Other Purchased Property Services	70,000	(20,000)	50,000	37,838	12,162
Insurance	150,000	(33,452)	116,548	111,909	4,639
General Supplies	95,000	(10,000)	85,000	41,352	43,648
Energy (Electricity)	170,000		170,000	131,708	38,292
Energy (Natural Gas)	120,000		120,000	61,530	58,470
Energy (Gasoline)	8,000		8,000	4,531	3,469
Other Objects	5,000	5,812	10,812	508	10,304
Total Custodial Services	1,055,428	(43,452)	1,011,976	799,372	212,604

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Care and Upkeep of Grounds:					
Salaries	\$ 58,243		\$ 58,243	\$ 54,854	\$ 3,389
Cleaning, Repair, and Maintenance Services	15,211		15,211	7,041	8,170
General Supplies	12,000		12,000	2,857	9,143
Total Care and Upkeep of Grounds	85,454		85,454	64,752	20,702
Security:					
Cleaning, Repair, and Maintenance Services	35,500	\$ (3,450)	32,050	20,507	11,543
Purchased Professional and Technical Services	10,000		10,000	8,784	1,216
General Supplies	2,500		2,500		2,500
Total Security	48,000	(3,450)	44,550	29,291	15,259
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	11,016	1	11,017	11,016	1
Other Than Between Home and School - Regular	5,000	(1)	4,999	3,300	1,699
Other Purchased Professional and Technical Services	1,000		1,000	361	639
Cleaning, Repair and Maintenance Services	7,500		7,500	2,590	4,910
Contracted Services:					
Other Than Between Home and School - Vendors	6,000		6,000	298	5,702
Between Home and School - Joint Agreements	25,000	(164)	24,836	3,585	21,251
Special Education Students - Joint Agreements	120,000		120,000	108,952	11,048
Aid in Lieu of Payments - Nonpublic Students	30,000		30,000	23,375	6,625
General Supplies	2,000	(50)	1,950	194	1,756
Other Objects		214	214		
Total Student Transportation Services	207,516		207,516	153,885	53,631

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Unallocated Employee Benefits:					
Social Security Contributions	\$ 200,000		\$ 200,000	\$ 161,168	\$ 38,832
Other Retirement Contributions - PERS	180,000		180,000	157,021	22,979
Other Retirement Contributions - Regular	28,000		28,000	24,732	3,268
Unemployment Compensation	40,000		40,000	31,755	8,245
Workmen's Compensation	92,882		92,882	92,882	
Health Benefits	2,726,403	\$ (5,900)	2,720,503	2,251,427	469,076
Tuition Reimbursement	15,000		15,000	10,000	5,000
Other Employee Benefits	53,400	(500)	52,900	32,348	20,552
Unused Sick Payment to Terminated/Retired Staff	4,000	500	4,500	4,500	
Total Unallocated Employee Benefits	3,339,685	(5,900)	3,333,785	2,765,833	567,952
On-Behalf Contributions:					
TPAF Pension Contributions (non-budgeted)				1,069,045	(1,069,045)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				495,068	(495,068)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				22,378	(22,378)
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)				1,343	(1,343)
TPAF Social Security Contributions (Reimbursed - Non-Budgeted)				445,582	(445,582)
Total On-Behalf Contributions				2,033,416	(2,033,416)
Total Personal Services - Employee Benefits	3,339,685	(5,900)	3,333,785	4,799,249	(1,465,464)
Total Undistributed Expenses	9,449,715	(15,902)	9,433,813	9,791,483	(357,670)
TOTAL GENERAL CURRENT EXPENSE	15,834,415	(15,902)	15,818,513	15,979,647	(161,734)

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY:					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	\$ 80,000	\$ (653)	\$ 79,347	\$ 56,220	\$ 23,127
Grades 6-8	20,000		20,000	12,637	7,363
Undistributed Expenditures:					
Instructional Equipment:	2,500		2,500	2,451	49
Required Maintenance for School Facilities		7,775	7,775	7,775	
Custodial Services	26,844		26,844	26,844	
Security	100,000	8,780	108,780	104,676	4,104
Total Equipment	229,344	15,902	245,246	210,603	34,643
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	175,000	(59,000)	116,000	38,200	77,800
Other Purchased Professional and Technical Services	20,000	20,000	40,000	33,083	6,917
Construction Services	28,437	259,944	288,381	73,381	215,000
Lease Purchase Agreements - Principal	508,750	(220,944)	287,806	287,201	605
Assessment for Debt Service on SDA Funding	5,382		5,382	5,382	
Total Facilities Acquisition and Construction Services	737,569		737,569	437,247	300,322
TOTAL CAPITAL OUTLAY	966,913	15,902	982,815	647,850	334,965
TOTAL EXPENDITURES	16,801,328		16,801,328	16,627,497	173,231

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ (1,831,287)	\$ -0-	\$ (1,831,287)	\$ 755,915	\$ 2,587,202
Other Financing Sources/(Uses):					
Transfers In/(Out):					
Transfer to Food Service Fund	(32,738)		(32,738)		32,738
Transfer from Capital Reserve to the Capital Projects Fund				(181,000)	(181,000)
Transfer from Capital Projects Fund to General Fund				14,356	14,356
Total Other Financing Sources/(Uses)	<u>(32,738)</u>		<u>(32,738)</u>	<u>(166,644)</u>	<u>(133,906)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	(1,864,025)		(1,864,025)	589,271	2,453,296
Fund Balance, July 1	4,467,673		4,467,673	4,467,673	
Fund Balance, June 30	<u>\$ 2,603,648</u>	<u>\$ -0-</u>	<u>\$ 2,603,648</u>	<u>\$ 5,056,944</u>	<u>\$ 2,453,296</u>
<u>Recapitulation of Fund Balance at June 30, 2019:</u>					
Restricted:					
Excess Surplus				\$ 1,454,692	
Excess Surplus - For Subsequent Year's Expenditures				1,675,000	
Capital Reserve				1,272,154	
Assigned:					
Year-End Encumbrances				13,288	
Subsequent Year's Expenditures				159,287	
Unassigned				482,523	
Total Fund Balance (Budgetary)				<u>5,056,944</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(29,575)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 5,027,369</u>	

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 1,974	\$ 1,974	\$ 1,974	
Federal Sources	\$ 130,845	40,540	171,385	171,385	
Total Revenues	130,845	42,514	173,359	173,359	
EXPENDITURES:					
Instruction:					
Tuition	122,916	38,765	161,681	161,681	
General Supplies	7,770	3,714	11,484	11,484	
Total Instruction	130,686	42,479	173,165	173,165	
Support Services:					
Supplies and Materials	159	35	194	194	
Total Support Services	159	35	194	194	
Total Expenditures	130,845	42,514	173,359	173,359	
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 17,383,412	\$ 173,359
Difference - Budget to GAAP:		
Prior Year State aid payments recognized for GAAP statements, not recognized for budgetary purposes.	25,399	
Current Year State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(29,575)	
	\$ 17,379,236	\$ 173,359
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds		
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 16,627,497	\$ 173,359
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 16,627,497	\$ 173,359

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

BOROUGH OF DEMAREST SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	IDEA Part B		ESEA			Local Grants	Totals
	Basic	Preschool	Title III	Title III Immigrant	Title IV		
REVENUE:							
Local Sources							
Federal Sources	\$ 151,118	\$ 10,563	\$ 1,904	\$ 2,454	\$ 5,346	\$ 1,974	\$ 1,974
Total Revenue	151,118	10,563	1,904	2,454	5,346	1,974	173,359
EXPENDITURES:							
Instruction:							
Tuition	151,118	10,563					161,681
General Supplies			1,866	2,405	5,239	1,974	11,484
Total Instruction	151,118	10,563	1,866	2,405	5,239	1,974	173,165
Support Services:							
Supplies and Materials			38	49	107		194
Total Support Services			38	49	107		194
Total Expenditures	\$ 151,118	\$ 10,563	\$ 1,904	\$ 2,454	\$ 5,346	\$ 1,974	\$ 173,359

CAPITAL PROJECTS FUND

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019

Revenue and Other Financing Sources:	
Capital Lease Proceeds	\$ 1,030,000
Transfer from Capital Reserve	181,000
Investment Income	13,017
	<hr/>
Total Revenue and Other Financing Sources	1,224,017
	<hr/>
Expenditures and Other Financing Uses:	
Legal Services	20,000
Equipment Purchases	678,260
Transfers Out:	
Transfer to General Fund - Investment Income	13,017
Transfer to General Fund - Unexpended Balance of Project	1,339
	<hr/>
Total Expenditures and Other Financing Uses	712,616
	<hr/>
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	511,401
	<hr/>
Fund Balance - Beginning	19,599
	<hr/>
Fund Balance - Ending	\$ 531,000
	<hr/> <hr/>
<u>Recapitulation of Fund Balance at June 30, 2019:</u>	
Committed:	
Year-End Encumbrances	\$ 531,000
	<hr/>
Fund Balance per Governmental Funds (GAAP)	\$ 531,000
	<hr/> <hr/>

BOROUGH OF DEMAREST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
UNIT VENTILATOR AND CASEWORK REPLACEMENT AT COUNTY ROAD SCHOOL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
Capital Lease Proceeds	\$ 190,400		\$ 190,400	\$ 190,400
Total Revenue and Other Financing Sources	190,400		190,400	190,400
Expenditures:				
Equipment Purchases	172,140	\$ 18,260	190,400	190,400
Total Expenditures	172,140	18,260	190,400	190,400
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	\$ 18,260	\$ (18,260)	\$ -0-	\$ -0-

Additional Project Information:

Project Number(s)	#1070-030-16-1000
Original Authorized Cost	\$ 200,400
Revised Authorized Cost	\$ 190,400
Change Order Percentage	-4.99%
Percentage Completion	100.00%
Original Target Completion Date	11/30/2017
Revised Target Completion Date	8/31/2018

BOROUGH OF DEMAREST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
BOILER ADDITION - LUTHER LEE EMERSON
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Capital Lease Proceeds	\$ 167,400	\$ (1,339)	\$ 166,061	\$ 166,061
Total Revenue and Other Financing Sources	<u>167,400</u>	<u>(1,339)</u>	<u>166,061</u>	<u>166,061</u>
Expenditures:				
Equipment Purchases	<u>166,061</u>	<u></u>	<u>166,061</u>	<u>166,061</u>
Total Expenditures	<u>166,061</u>	<u></u>	<u>166,061</u>	<u>166,061</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 1,339</u>	<u>\$ (1,339)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	#1070-050-17-1000
Original Authorized Cost	\$ 157,400
Revised Authorized Cost	\$ 166,061
Change Order Percentage	5.50%
Percentage Completion	100.00%
Original Target Completion Date	6/30/2018

BOROUGH OF DEMAREST SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
MUSIC ROOM ADDITION AND MIDDLE SCHOOL IMPROVEMENTS
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:			
Capital Lease Proceeds	\$ 1,030,000	\$ 1,030,000	\$ 1,030,000
Transfer from Capital Outlay	181,000	181,000	181,000
	<u>1,211,000</u>	<u>1,211,000</u>	<u>1,211,000</u>
Total Revenue and Other Financing Sources			
Expenditures:			
Legal Services	20,000	20,000	20,000
Equipment Purchases	660,000	660,000	1,191,000
	<u>680,000</u>	<u>680,000</u>	<u>1,211,000</u>
Total Expenditures			
Excess/(Deficiency) of Revenue and Other Financing Sources Over Expenditures	<u>\$ 531,000</u>	<u>\$ 531,000</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number(s)	#1070-040-18-1000
Original Authorized Cost	\$ 1,211,000
Percentage Completion	54.50%
Original Target Completion Date	7/26/2019
Revised Target Completion Date	9/30/2019

PROPRIETARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 12,200
Inventory	437
	<hr/>

Total Current Assets	<hr/> 12,637
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Non-Current Assets:

Capital Assets	64,641
Less: Accumulated Depreciation	(58,685)
	<hr/>

Total Non-Current Assets	<hr/> 5,956
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Total Assets	<hr/> 18,593
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NET POSITION:

Investment in Capital Assets	5,956
Unrestricted	12,637
	<hr/>

Total Net Position	<hr/> <hr/> \$ 18,593
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BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating Revenue:	
Local Sources:	
Daily Sales - Non-Reimbursable Programs	\$ 214,472
Total Operating Revenue	<u>214,472</u>
Operating Expenses:	
Cost of Sales - Non-Reimbursable Programs	103,233
Salaries, Payroll Taxes & Benefits	93,002
Supplies and Materials	1,475
Depreciation Expense	<u>662</u>
Total Operating Expenses	<u>198,372</u>
Operating Income	16,100
Net Position- Beginning of Year	<u>2,493</u>
Net Position- End of Year	<u><u>\$ 18,593</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 214,472
Payments to Employees	(93,002)
Payments to Vendors	(104,735)
Payments to Suppliers	(1,475)
	<u>15,260</u>
Net Cash Provided by Operating Activities	
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(6,618)
	<u>(6,618)</u>
Net Cash Used for Capital and Related Financing Activities	
	<u>(6,618)</u>
Net Increase in Cash and Cash Equivalents	8,642
Cash and Cash Equivalents, July 1	<u>3,558</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 12,200</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 16,100
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	662
Changes in Assets and Liabilities:	
(Decrease) in Interfund Payable	(1,439)
(Increase) in Inventory	(63)
	<u>(63)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 15,260</u></u>

FIDUCIARY FUNDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Agency</u>			<u>Flex Spending Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>	
ASSETS:				
Cash and Cash Equivalents	\$ 48,384	\$ 70,009	\$ 118,393	\$ 9,406
Total Assets	<u>48,384</u>	<u>70,009</u>	<u>118,393</u>	<u>9,406</u>
LIABILITIES:				
Interfund Payable - General Fund				6,460
Payroll Deductions and Withholdings		70,009	70,009	
Due to Student Groups	48,384		48,384	
Total Liabilities	<u>48,384</u>	<u>70,009</u>	<u>118,393</u>	<u>6,460</u>
NET POSITION:				
Held in Trust for: Flex Spending Claims				2,946
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,946</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Contributions - Employee	<u>\$ 15,200</u>
Total Contributions	<u>15,200</u>
Total Additions	<u>15,200</u>
 DEDUCTIONS:	
Due to General Fund - Advance on Deposits	6,460
Flex Spending Claims	<u>14,521</u>
Total Deductions	<u>20,981</u>
Change in Net Position	(5,781)
Net Position - Beginning of the Year	<u>8,727</u>
Net Position - End of the Year	<u><u>\$ 2,946</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
ASSETS:				
Cash and Cash Equivalents	\$ 51,383	\$ 56,339	\$ 59,338	\$ 48,384
Total Assets	<u>\$ 51,383</u>	<u>\$ 56,339</u>	<u>\$ 59,338</u>	<u>\$ 48,384</u>
LIABILITIES:				
Due to Student Groups	\$ 51,383	\$ 56,339	\$ 59,338	\$ 48,384
Total Liabilities	<u>\$ 51,383</u>	<u>\$ 56,339</u>	<u>\$ 59,338</u>	<u>\$ 48,384</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Student Activities	<u>\$ 51,383</u>	<u>\$ 56,339</u>	<u>\$ 59,338</u>	<u>\$ 48,384</u>
Total All Schools	<u><u>\$ 51,383</u></u>	<u><u>\$ 56,339</u></u>	<u><u>\$ 59,338</u></u>	<u><u>\$ 48,384</u></u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
ASSETS:				
Cash and Cash Equivalents	\$ 65,788	\$ 9,446,767	\$ 9,442,546	\$ 70,009
Total Assets	<u>\$ 65,788</u>	<u>\$ 9,446,767</u>	<u>\$ 9,442,546</u>	<u>\$ 70,009</u>
LIABILITIES:				
Interfund Payable - General Fund	\$ 4,670		\$ 4,670	
Payroll Deductions and Withholdings	<u>61,118</u>	<u>\$ 9,446,767</u>	<u>9,437,876</u>	<u>\$ 70,009</u>
Total Liabilities	<u>\$ 65,788</u>	<u>\$ 9,446,767</u>	<u>\$ 9,442,546</u>	<u>\$ 70,009</u>

LONG-TERM DEBT

BOROUGH OF DEMAREST SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2018	Matured	Balance June 30, 2019
			Date	Outstanding June 30, 2019 Amount				
Series 2016 Refunding School Bonds	12/20/2016	\$ 4,635,000	2/15/20	\$ 470,000	4.00%	\$ 4,160,000	\$ 445,000	\$ 3,715,000
			2/15/21	490,000	4.00%			
			2/15/22	515,000	4.00%			
			2/15/23	530,000	4.00%			
			2/15/24	550,000	4.00%			
			2/15/25	570,000	4.00%			
			2/15/26	390,000	3.00%			
			2/15/26	200,000	5.00%			
						\$ 4,160,000	\$ 445,000	\$ 3,715,000

BOROUGH OF DEMAREST SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Purpose	Original Issue	Maturities of Capital Lease Obligations			Interest Rate	Balance July 1, 2018	Matured	Balance June 30, 2019
		Date	June 30, 2019					
			Amount					
Copiers - 2016	\$ 77,484	11/20/19	\$ 16,538	4.23%	\$ 39,494	\$ 15,855	\$ 23,639	
		11/20/20	7,101	4.23%				
Copiers 2017	3,646	11/20/19	1,119	4.23%	2,658	1,052	1,606	
		11/20/20	487	4.23%				
Apple Computer Lease 2016	306,554				76,639	76,639		
Apple Computer Lease 2018	225,532	7/20/19	56,383	0.00%	169,149	56,383	112,766	
		7/20/20	56,383	0.00%				
Ventilator and Boiler Projects	357,800	8/1/19	70,185	2.10%	283,748	68,742	215,006	
		8/1/20	71,658	2.10%				
		8/1/21	73,163	2.10%				
					\$ 571,688	\$ 218,671	\$ 353,017	

BOROUGH OF DEMAREST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 575,020		\$ 575,020	\$ 575,020	
Total Revenues	575,020		575,020	575,020	
EXPENDITURES:					
Regular Debt Service:					
Interest and Other Charges	164,500		164,500	164,500	
Redemption of Principal	445,000		445,000	445,000	
Total Regular Debt Service	609,500		609,500	609,500	
Total Expenditures	609,500		609,500	609,500	
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(34,480)		(34,480)	(34,480)	
Fund Balance, July 1	34,480	\$ -0-	34,480	34,480	\$ -0-
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

STATISTICAL SECTION
(UNAUDITED)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

BOROUGH OF DEMAREST SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Net Investment in Capital Assets	\$ 12,084,878	\$ 3,604,251	\$ 3,585,947	\$ 3,680,249	\$ 4,208,106	\$ 4,889,512	\$ 5,695,664	\$ 5,235,356	\$ 5,611,594	\$ 6,753,818
Restricted	1,778,193	1,761,859	2,820,145	3,578,346	3,249,765	3,600,911	3,693,356	3,741,727	3,941,212	4,401,846
Unrestricted/(Deficit)	302,132	545,997	187,221	290,160	(3,350,705)	(3,558,053)	(3,728,851)	(4,109,227)	(3,706,244)	(2,952,031)
Total governmental activities net position	<u>\$ 14,165,203</u>	<u>\$ 5,912,107</u>	<u>\$ 6,593,313</u>	<u>\$ 7,548,755</u>	<u>\$ 4,107,166</u>	<u>\$ 4,932,370</u>	<u>\$ 5,660,169</u>	<u>\$ 4,867,856</u>	<u>\$ 5,846,562</u>	<u>\$ 8,203,633</u>
Business-type activities										
Investment in Capital Assets	8,131	7,208	6,370	5,532	4,694	4,039	3,385		2,493	5,956
Unrestricted / (Deficit)	1,192	(8,781)	(7,561)	4,943	9,032	1,383	8,707	9,938	2,493	12,637
Total business-type activities net position/(deficit)	<u>9,323</u>	<u>(1,573)</u>	<u>(1,191)</u>	<u>10,475</u>	<u>13,726</u>	<u>5,422</u>	<u>12,092</u>	<u>9,938</u>	<u>2,493</u>	<u>18,593</u>
District-wide										
Net Investment in Capital Assets	12,093,009	3,611,459	3,592,317	3,685,781	4,212,800	4,893,551	5,699,049	5,235,356	5,611,594	6,759,774
Restricted	1,778,193	1,761,859	2,820,145	3,578,346	3,249,765	3,600,911	3,693,356	3,741,727	3,941,212	4,401,846
Unrestricted/(Deficit)	303,324	537,216	179,660	295,103	(3,341,673)	(3,556,670)	(3,720,144)	(4,099,289)	(3,703,751)	(2,939,394)
Total district net position	<u>\$ 14,174,526</u>	<u>\$ 5,910,534</u>	<u>\$ 6,592,122</u>	<u>\$ 7,559,230</u>	<u>\$ 4,120,892</u>	<u>\$ 4,937,792</u>	<u>\$ 5,672,261</u>	<u>\$ 4,877,794</u>	<u>\$ 5,849,055</u>	<u>\$ 8,222,226</u>

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
Instruction:										
Regular Instruction	\$ 5,106,670	\$ 5,112,029	\$ 5,140,931	\$ 5,484,085	\$ 5,441,583	\$ 6,085,677	\$ 6,711,586	\$ 7,808,370	\$ 8,630,694	\$ 8,224,315
Special Education Instruction	1,064,971	1,316,740	1,206,584	1,216,808	1,337,969	1,498,122	1,776,739	1,972,054	2,082,278	1,966,677
Other Special Instruction	308,093	243,156	262,136	316,271	435,886	525,674	662,008	853,649	778,100	690,758
School Sponsored Instruction	183,446	95,504	100,441	96,527	102,139	98,666	89,975	93,946	99,659	101,690
Support Services:										
Tuition	1,434,724	1,051,907	863,238	1,030,123	1,233,122	902,177	919,560	902,318	782,181	776,407
Student and Instruction Related Services	1,901,714	2,096,459	2,132,099	2,257,237	2,189,814	2,646,243	2,807,213	2,748,484	3,133,130	2,993,554
General and Business Administrative Services	420,369	367,817	367,086	316,846	676,612	400,331	452,223	583,391	980,488	326,854
School Administrative Services	485,698	486,133	547,773	589,898	555,609	626,806	614,822	694,230	727,067	706,029
Central Services	336,961	389,248	390,537	380,309	362,321	395,826	383,154	437,588	417,457	425,035
Plant Operations and Maintenance	1,187,798	1,131,700	1,228,244	1,186,067	1,308,297	1,299,364	1,270,339	1,451,098	1,342,596	1,316,573
Pupil Transportation	264,350	170,611	126,037	140,527	194,548	161,220	161,759	150,580	150,172	158,973
Capital Outlay	5,975	234,352	483,421	413,629		36,233		78,345		382,959
Interest on Long-term Debt	321,492	307,244	287,000	287,850	263,700	242,675	231,083	61,030	198,510	128,003
Total Governmental Activities Expenses	13,024,981	13,002,900	13,135,527	13,716,177	14,101,600	14,882,781	16,116,694	17,756,738	19,400,677	18,197,827
Business-type Activities:										
Food Service	194,622	205,651	209,849	205,042	217,783	205,140	198,323	201,381	208,999	198,372
Total Business-type Activities Expense	194,622	205,651	209,849	205,042	217,783	205,140	198,323	201,381	208,999	198,372
Total District-wide Expenses	13,219,603	13,208,551	13,345,376	13,921,219	14,319,383	15,087,921	16,315,017	17,958,119	19,609,676	18,396,199

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program Revenues										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)		\$ 53,239	\$ 56,380	\$ 43,852	\$ 37,976	\$ 34,468	\$ 37,587	\$ 135,051	\$ 441,899	\$ 473,183
Operating Grants and Contributions	\$ 1,326,216	1,120,423	1,458,692	1,898,241	1,617,511	2,842,634	3,704,309	4,823,201	5,259,102	4,175,882
Total Governmental Activities Program Revenues	1,326,216	1,173,662	1,515,072	1,942,093	1,655,487	2,877,102	3,741,896	4,958,252	5,701,001	4,649,065
Business-type Activities:										
Charges for Services:										
Food Service	189,554	184,353	201,117	216,163	218,936	191,955	202,795	201,958	201,554	214,472
Total Business-type Activities Program Revenues	189,554	184,353	201,117	216,163	218,936	191,955	202,795	201,958	201,554	214,472
Total District-wide Program Revenues	1,515,770	1,358,015	1,716,189	2,158,256	1,874,423	3,069,057	3,944,691	5,160,210	5,902,555	4,863,537
Net (Expense)/Revenue										
Governmental Activities	(11,698,765)	(11,829,238)	(11,620,455)	(11,774,084)	(12,446,113)	(12,005,679)	(12,374,798)	(12,798,486)	(13,699,676)	(13,548,762)
Business-type Activities	(5,068)	(21,298)	(8,732)	11,121	1,153	(13,185)	4,472	577	(7,445)	16,100
Total District-wide Net Expense	(11,703,833)	(11,850,536)	(11,629,187)	(11,762,963)	(12,444,960)	(12,018,864)	(12,370,326)	(12,797,909)	(13,707,121)	(13,532,662)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Taxes:										
Property Taxes, Levied for General Purposes	10,908,449	11,344,786	11,534,796	11,765,492	12,000,804	12,000,802	12,240,818	12,711,383	13,583,542	14,202,770
Property taxes, Levied for Debt Service	600,085	632,865	617,874	627,675	638,875	644,076	653,475	658,762	607,400	575,020
Federal and State Aid Not Restricted	49,243	80,653								

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2010	2011	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities (Cont'd):										
Investment Earnings	\$ 26,343	\$ 530	\$ 21	\$ 21	\$ 21	\$ 549	\$ 12,949	\$ 8,338	\$ 18,133	\$ 3,952
Miscellaneous Income	185,325	194,058	152,219	336,796	257,971	177,902	210,502	82,289	469,307	94,091
Capital Lease Proceeds	1,541									1,030,000
Cancellation of Accounts Payable	(1,229)	(1,203)	(3,249)	(458)	(1,929)	(4,848)	(2,198)			
Transfers	11,769,757	12,251,689	12,301,661	12,729,526	12,896,270	12,830,881	13,102,597	13,460,772	14,678,382	15,905,833
Total Governmental Activities										
Business-type Activities:										
Investment Earnings	203	199	114	87	169	33				
Reappraisal of Capital Assets										
Other Transfers	1,229	1,203	458	1,929	4,848	2,198				
Total Business-type Activities	1,432	1,402	114	545	2,098	4,881	2,198			
Total District-wide General Revenues	11,771,189	12,253,091	12,301,775	12,730,071	12,898,368	12,835,762	13,104,795	13,460,772	14,678,382	15,905,833
Change in Net Position										
Governmental Activities	70,992	422,451	681,206	955,442	450,157	825,202	727,799	662,286	978,706	2,357,071
Business-type Activities	(3,636)	(19,896)	(8,618)	11,666	3,251	(8,304)	6,670	577	(7,445)	16,100
Total District-wide Change in Net Position	\$ 67,356	\$ 402,555	\$ 672,588	\$ 967,108	\$ 453,408	\$ 816,898	\$ 734,469	\$ 662,863	\$ 971,261	\$ 2,373,171

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

UNAUDITED

(Modified Accrual Basis of Accounting)

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund :										
Reserved	\$ 1,776,645									
Unreserved	525,141									
Restricted		\$ 1,754,379	\$ 2,791,822	\$ 3,578,742	\$ 3,249,765	\$ 3,600,910	\$ 3,693,355	\$ 3,701,043	\$ 3,906,732	\$ 4,401,846
Assigned		341,243	28,323	20,580	302,943	503,767	297,151		66,970	172,575
Unassigned		435,315	422,311	526,070	439,081	229,383	247,294	251,137	468,572	452,948
Total General Fund	\$ 2,301,786	\$ 2,530,937	\$ 3,242,456	\$ 4,125,392	\$ 3,991,789	\$ 4,334,060	\$ 4,237,800	\$ 3,952,180	\$ 4,442,274	\$ 5,027,369
All Other Governmental Funds										
Unreserved, Reported in:										
Capital Projects Fund	1,547									
Debt Service Fund	1					1		34,480	34,480	
Restricted										
Committed		2,341							19,599	531,000
Total All Other Governmental Funds	1,548	2,342	-0-	-0-	-0-	1	1	34,480	54,079	531,000
Total Fund Balances	\$ 2,303,334	\$ 2,533,279	\$ 3,242,456	\$ 4,125,392	\$ 3,991,789	\$ 4,334,061	\$ 4,237,801	\$ 3,986,660	\$ 4,496,353	\$ 5,558,369

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

UNAUDITED
(Modified Accrual Basis of Accounting)

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Tax Levy	\$ 11,508,534	\$ 11,977,651	\$ 12,152,670	\$ 12,393,167	\$ 12,639,679	\$ 12,644,878	\$ 12,894,293	\$ 13,370,145	\$ 14,190,942	\$ 14,777,790
Tuition Charges		53,239	56,380	43,852	37,976	34,468	37,587	135,051	441,899	473,183
Interest Earnings	26,343	530	21	21	549	12,949		8,338	18,133	3,952
Miscellaneous	185,325	194,058	152,219	336,796	257,971	177,902	210,502	85,276	470,316	1,126,065
State Sources	1,223,766	918,580	1,246,946	1,718,857	1,464,504	1,548,510	1,880,013	2,108,610	2,280,297	2,618,257
Federal Sources	151,693	282,496	211,746	179,384	153,007	164,133	166,310	157,115	163,556	171,385
Total Revenues	13,095,661	13,426,554	13,819,982	14,672,077	14,553,686	14,582,840	15,188,705	15,864,535	17,565,143	19,170,632
Expenditures										
Instruction										
Regular Instruction	3,689,781	3,755,849	3,661,605	3,767,426	3,738,734	3,722,770	3,949,793	4,238,464	4,500,602	4,646,139
Special Education Instruction	776,460	1,025,240	926,891	897,820	996,396	964,764	1,168,255	1,221,421	1,255,088	1,271,742
Other Special Instruction	214,638	146,974	168,498	210,726	277,735	292,671	347,098	398,605	348,331	341,758
School Sponsored Instruction	146,595	95,504	100,441	96,527	102,139	98,666	89,975	93,946	99,659	101,690
Support Services:										
Tuition	1,434,724	1,051,907	863,238	1,030,123	1,233,122	902,177	919,560	902,318	782,181	776,407
Student and Instruction Related Services	1,496,488	1,536,530	1,522,623	1,568,976	1,525,295	1,676,849	1,831,626	1,647,619	1,836,191	1,860,415
General and Business Administrative Services	331,976	342,840	302,920	319,861	299,864	355,131	342,431	319,840	358,877	325,801
School Administrative Services	369,820	351,578	387,423	402,478	394,911	360,164	381,591	386,985	390,554	407,215
Central Services	285,882	279,239	290,435	266,467	261,962	276,171	270,676	299,116	305,169	316,986
Administrative Information Technology								2,479	6,559	5,214
Plant Operations and Maintenance	1,055,513	968,713	1,042,887	989,126	1,098,574	995,433	1,040,890	1,081,520	1,129,669	1,146,505
Pupil Transportation	260,824	164,007	114,637	128,646	183,221	147,932	153,450	147,333	145,089	153,885
Allocated and Unallocated Benefits	2,336,781	2,530,528	2,624,662	3,069,203	3,135,114	3,289,332	3,435,329	3,788,780	4,334,818	4,799,249
Capital Outlay	372,746	358,333	483,421	413,629	1,204,062	509,585	776,102	954,629	1,180,795	1,346,110
Debt Service:										
Principal	295,000	320,000	320,000	345,000	370,000	390,000	415,000	485,000	430,000	445,000
Interest and Other Charges	326,668	312,865	297,875	282,675	268,875	254,075	238,475	147,621	177,400	164,500
Total Expenditures	13,393,896	13,240,107	13,107,556	13,788,683	15,090,004	14,235,720	15,360,251	16,115,676	17,280,982	18,108,616

BOROUGH OF DEMAREST SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Excess/(Deficit) of Revenues Over Expenditures	\$ (298,235)	\$ 186,447	\$ 712,426	\$ 883,394	\$ (536,318)	\$ 347,120	\$ (171,546)	\$ (251,141)	\$ 284,161	\$ 1,062,016
Other Financing Sources (Uses)					404,644		77,484			
School Refunding Bonds Issued								4,635,000		
School Bonds Defeased								(4,780,000)		
Bond Issuance Costs								(104,852)		
Bond Premium								345,969		
Deferred Amount on Refunding Capital Leases (Non-Budgeted)	248,571	44,701						(96,117)		
Accounts Payable Cancelled	1,541									
Transfers In										
Transfers Out	(1,229)	(1,203)	(3,249)	(458)	(1,929)	(4,848)	(2,198)			195,356
Total Other Financing Sources (Uses)	248,883	43,498	(3,249)	(458)	402,715	(4,848)	75,286			(195,356)
Net Change in Fund Balances	\$ (49,352)	\$ 229,945	\$ 709,177	\$ 882,936	\$ (133,603)	\$ 342,272	\$ (96,260)	\$ (251,141)	\$ 284,161	\$ 1,062,016
Debt Service as a Percentage of Noncapital Expenditures	4.77%	4.91%	4.89%	4.69%	4.60%	4.69%	4.48%	4.17%	3.77%	3.64%

Source: Borough of Demarest School District Financial Reports.

BOROUGH OF DEMAREST SCHOOL DISTRICT
GENERAL FUND- OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Totals</u>	<u>Tuition</u>	<u>Interest</u>	<u>Rentals</u>	<u>Miscellaneous</u>
2010	\$ 211,668		\$ 26,343	\$ 143,020	\$ 42,305
2011	247,033	\$ 53,239	25,420	110,000	58,374
2012	208,620	56,380	4,058	110,000	38,182
2013	380,669	43,852	21	110,000	226,796
2014	296,496	37,976	549	110,000	147,971
2015	225,319	34,468	12,949	110,000	67,902
2016	248,089	37,587	11,828	126,575	72,099
2017	217,340	135,051	13,843	24,775	43,671
2018	570,823	441,899	18,133	103,303	7,488
2019	558,209	473,183	3,952	25,173	55,901

Source: Borough of Demarest School District Financial Records.

BOROUGH OF DEMAREST SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Commercial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate
2009	\$ 15,953,300	\$ 1,141,824,700	\$ 37,029,400	\$ 1,350,000	\$ 1,196,157,400	\$ 852,876	\$ 1,197,010,276	\$ 1,459,346,350	0.952
2010	24,674,000	1,155,919,300	36,920,200	1,350,000	1,218,863,500	761,402	1,219,624,902	1,475,586,410	0.960
2011	19,407,900	1,175,319,700	36,920,200	1,350,000	1,232,997,800	589,741	1,233,587,541	1,411,968,299	0.978
2012	18,514,400	1,183,373,100	36,920,200	1,350,000	1,240,157,700	565,731	1,240,723,431	1,356,214,790	0.989
2013	15,219,900	1,199,148,900	36,920,200	1,350,000	1,252,639,000	91,530	1,252,730,530	1,408,987,212	1.000
2014	14,578,200	1,213,910,800	36,920,200	1,350,000	1,266,759,200	88,910	1,266,848,110	1,425,536,144	1.000
2015	12,778,100	1,225,059,400	36,920,200	1,350,000	1,276,107,700	85,020	1,276,192,720	1,501,723,835	1.000
2016	12,763,100	1,240,829,500	36,920,200	1,350,000	1,291,862,800	85,020	1,291,947,820	1,291,947,820	1.000
2017	10,281,800	1,272,223,900	36,920,200	1,350,000	1,320,775,900	83,130	1,320,859,030	1,589,584,628	1.000
2018	10,281,800	1,284,770,200	36,920,200	1,350,000	1,333,322,200	83,130	1,333,405,330	1,602,178,919	1.000

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

Source: Municipal Tax Assessor

BOROUGH OF DEMAREST SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Municipality	Regional High School	County	
2009	\$ 0.902	\$ 0.050	\$ 0.952	\$ 0.435	\$ 0.545	\$ 0.244	\$ 2.176
2010	0.909	0.051	0.960	0.462	0.561	0.237	2.220
2011	0.928	0.050	0.978	0.478	0.579	0.237	2.272
2012	0.939	0.050	0.989	0.511	0.555	0.240	2.295
2013	0.950	0.050	1.000	0.543	0.550	0.255	2.348
2014	0.949	0.051	1.000	0.551	0.546	0.263	2.360
2015	0.949	0.051	1.000	0.563	0.567	0.282	2.412
2016	0.951	0.049	1.000	0.567	0.590	0.288	2.445
2017	0.957	0.043	1.000	0.570	0.611	0.302	2.483
2018	0.961	0.039	1.000	0.562	0.688	0.294	2.544

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

- a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.
- b** Rates for debt service are based on each year's requirements.

Source: Municipal Tax Collector and School Business Administrator

BOROUGH OF DEMAREST SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	<u>2018</u>		<u>2009</u>	
	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>% of Total District Net Assessed Value</u>
Alpine Country Club	\$ 32,323,800	2.45%		
Taxpayer #1	4,232,600	0.32%		
Taxpayer #2	4,120,000	0.31%	NOT AVAILABLE	
Taxpayer #3	3,768,400	0.29%		
Taxpayer #4	3,700,000	0.28%		
Taxpayer #5	3,598,200	0.27%		
Taxpayer #6	3,532,000	0.27%		
Taxpayer #7	3,330,600	0.25%		
Taxpayer #8	3,177,000	0.24%		
Taxpayer #9	3,123,900	0.24%		
Total	<u>\$ 64,906,500</u>	<u>4.91%</u>		

Source: Municipal Tax Assessor

BOROUGH OF DEMAREST SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 11,508,534	\$ 11,508,534	100.00%	\$ -0-
2011	11,977,651	11,977,651	100.00%	-0-
2012	12,152,670	12,152,670	100.00%	-0-
2013	12,393,167	12,393,167	100.00%	-0-
2014	12,639,679	12,639,679	100.00%	-0-
2015	12,644,878	12,644,878	100.00%	-0-
2016	12,894,293	12,894,293	100.00%	-0-
2017	13,370,145	13,370,145	100.00%	-0-
2018	14,190,942	14,190,942	100.00%	-0-
2019	14,777,790	14,777,790	100.00%	-0-

a -School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Demarest Borough School District records including the Certificate and Report of School Taxes (A4F form)

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2010	\$ 7,380,000	\$ 248,571	\$ 2,025,000	\$ 9,653,571	3.02%	\$ 1,975
2011	7,060,000	212,958	2,025,000	9,297,958	2.82%	1,893
2012	6,740,000	191,514	1,262,583	8,194,097	2.36%	1,650
2013	6,395,000	82,464		6,477,464	1.88%	1,309
2014	6,025,000	364,277		6,389,277	1.75%	1,285
2015	5,635,000	237,499		5,872,499	1.53%	1,163
2016	5,220,000	177,439		5,397,439	1.42%	1,079
2017	4,590,000	211,617		4,801,617	1.18%	954
2018	4,160,000	571,688		4,731,688	1.18%	959
2019	3,715,000	353,017		4,068,017	1.02%	825

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2010	\$ 7,380,000	\$ 7,380,000	0.62%	\$ 1,510
2011	7,060,000	7,060,000	0.58%	1,437
2012	6,740,000	6,740,000	0.55%	1,357
2013	6,395,000	6,395,000	0.52%	1,293
2014	6,025,000	6,025,000	0.48%	1,212
2015	5,635,000	5,635,000	0.44%	1,116
2016	5,220,000	5,220,000	0.41%	1,044
2017	4,590,000	4,590,000	0.36%	912
2018	4,160,000	4,160,000	0.31%	843
2019	3,715,000	3,715,000	0.28%	753

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J- 6 for property tax data. These ratios is calculated using valuation data for the previous calendar year.

a See Exhibit J-14 for population data. These ratios is calculated using population estimate for the previous calendar year.

Source: Borough of Demarest School District Financial Reports

BOROUGH OF DEMAREST SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2018
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Demarest	\$ 7,265,054	100.00%	\$ 7,265,054
Northern Valley Regional High School	18,730,744	16.40%	3,071,842
Bergen County General Obligation Debt	875,747,791	0.90%	<u>7,893,144</u>
Subtotal, Overlapping Debt			18,230,040
Demarest Borough School District Direct Debt			<u>3,715,000</u>
Total Direct and Overlapping Debt			<u>\$ 21,945,040</u>

a - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Demarest Borough. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Bergen County Board of Taxation; debt outstanding data provided by each governmental unit.

BOROUGH OF DEMAREST SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2019

Equalized valuation basis				
2016	\$	1,554,027,186		
2017		1,586,327,048		
2018		1,622,046,472		
	\$	<u>4,762,400,706</u>		
Average equalized valuation of taxable property	\$	<u>1,587,466,902</u>		
Debt limit @ (3 % of average equalization value) ^a	\$	<u>47,624,007</u>		
Total Net Debt Applicable to Limit			<u>3,715,000</u>	
Legal debt margin	\$		<u>43,909,007</u>	

	Fiscal Year							
	2010	2011	2012	2013	2014			
Debt limit	\$	42,585,059	\$	41,880,743	\$	41,145,890	\$	41,290,521
Total net debt applicable to limit		<u>7,380,000</u>		<u>7,060,000</u>		<u>6,740,000</u>		<u>6,395,000</u>
Legal debt margin	\$	<u>35,205,059</u>	\$	<u>35,140,743</u>	\$	<u>34,750,890</u>	\$	<u>35,265,521</u>

Total net debt applicable to the limit as a percentage of debt limit 17.33% 16.53% 16.09% 15.54% 14.59%

	Fiscal Year									
	2015	2016	2017	2018	2019					
Debt limit	\$	42,719,096	\$	43,964,418	\$	45,415,848	\$	46,379,575	\$	47,624,007
Total net debt applicable to limit		<u>5,635,000</u>		<u>5,220,000</u>		<u>4,590,000</u>		<u>4,160,000</u>		<u>3,715,000</u>
Legal debt margin	\$	<u>37,084,096</u>	\$	<u>38,566,979</u>	\$	<u>40,825,848</u>	\$	<u>42,219,575</u>	\$	<u>43,909,007</u>

Total net debt applicable to the limit as a percentage of debt limit 13.19% 11.87% 10.11% 8.97% 7.80%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other district types.

BOROUGH OF DEMAREST SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
UNAUDITED

<u>Year</u>	<u>Population^a</u>	<u>Personal Income^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2010	4,887	\$ 320,030,082	\$ 65,486	8.60%
2011	4,912	330,282,880	67,240	8.50%
2012	4,967	347,287,673	69,919	8.60%
2013	4,947	343,791,765	69,495	5.80%
2014	4,973	365,694,528	73,536	4.00%
2015	5,050	383,037,450	75,849	3.40%
2016	5,000	379,245,000	75,849	2.90%
2017	5,032	408,613,496	81,203	2.60%
2018	4,933	400,574,399	81,203 *	2.30%
2019	4,933 **	400,574,399 **	81,203 *	N/A

* - Latest Bergen County per capita personal income available (2017) was used for calculation purposes.

** - Latest Demarest Borough population available (2018) was used for calculation purposes.

N/A- Not Available

Sources:

a Population information provided by the NJ Dept of Labor and Workforce Development

b Personal income has been estimated based upon the municipal population and per capita personal income presented

c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

d Unemployment data provided by the NJ Dept of Labor and Workforce Development

BOROUGH OF DEMAREST SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

NOT AVAILABLE

BOROUGH OF DEMAREST SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
UNAUDITED

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Instruction:										
Regular	51	57	57	59	60	50	50	56	61	61
Special education	21	13	13	13	14	17	25	31	33	34
Support Services:										
Student and instruction related services	16	24	24	24	25	30	31	24	23	24
School administrative services	2	2	2	2	2	6	6	5	6	6
General and business administrative services	11	12	12	12	12	6	6	6	5	5
Plant operations and maintenance	13	11	11	11	11	11	11	12	10	10
Food Service	1	1	1	1	1	6	4	4	4	4
Total	115	120	120	122	125	126	133	138	142	144

Source: District Personnel Records

BOROUGH OF DEMAREST SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Pupil/Teacher Ratio

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2010	662.2	\$ 12,399,482	\$ 18,725	4.79%	72	1:9.5	1:9.8	662.2	642.1	0.9%	96.96%	
2011	670.0	12,248,909	18,282	-2.36%	70	1:9.6	1:9.5	664.9	633.0	0.4%	95.20%	
2012	655.0	12,006,260	18,330	0.26%	70	1:9.4	1:9.4	653.7	625.0	-1.7%	95.61%	
2013	671.1	12,747,379	18,995	3.63%	72	1:9.5	1:9.6	671.1	646.6	2.7%	96.35%	
2014	673.0	13,247,067	19,684	3.63%	74	1:9.8	1:9.3	681.9	656.6	1.6%	96.29%	
2015	681.0	13,082,060	19,210	1.13%	67	1:11.3	1:8.6	676.9	652.4	0.9%	96.38%	
2016	665.0	13,930,674	20,948	6.43%	75	1:10.0	1:14	674.4	651.2	-1.1%	96.56%	
2017	671.0	14,528,426	21,652	12.71%	70	1:10.5	1:8.6	669.0	643.8	-1.2%	96.23%	
2018	675.0	15,492,787	22,952	9.57%	72	1:10	1:11.9	698.3	670.9	3.5%	96.08%	
2019	707.0	16,153,006	22,847	5.52%	72	1:11.4	1:8.1	704.6	676.7	5.3%	96.04%	

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The cost per pupil calculated above is the sum of the operating expenditures divided by enrollment. This cost per pupil may be different from other Cost Per Pupil calculations.

Source: District records

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>District Building</u>										
<u>Elementary</u>										
County Road										
Square Feet (GSF)	22,645	22,645	22,645	22,645	22,645	22,645	22,645	22,645	22,645	22,645
Capacity (students)	168	168	168	168	168	168	168	168	168	168
Enrollment	127	120	125	148	141	138	118	123	139	160
Luther Lee Emerson										
Square Feet (GSF)	44,381	44,381	44,381	44,381	44,381	44,381	44,381	44,381	44,381	44,381
Capacity (students)	320	320	320	320	320	320	320	320	320	320
Enrollment	202	225	225	231	232	227	229	231	238	212
<u>Middle School</u>										
Demarest										
Square Feet (GSF)	71,919	71,919	71,919	71,919	71,919	71,919	71,919	71,919	71,919	71,919
Capacity (students)	441	441	441	441	441	441	441	441	441	441
Enrollment	329	325	305	292	309	316	318	311	298	309

Number of Schools at June 30, 2019
 Elementary = 2
 Middle School = 1

Source: District Facilities Office

Note: Enrollment is based on the annual October district count.

BOROUGH OF DEMAREST SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>	<u>Fiscal Year</u>				
			<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
County Road School	N/A	22,645	\$ 46,158	\$ 33,390	\$ 38,244	\$ 27,796	\$ 31,570
Luther Lee Emerson	SP#201893	44,381	76,179	49,880	65,380	54,476	61,872
Demarest Middle	SP#201892	71,919	45,098	68,399	131,610	88,278	100,263
District Total		138,945	\$ 167,435	\$ 151,669	\$ 235,234	\$ 170,550	\$ 193,705

<u>*School Facility</u>	<u>Projects</u> (w/DOE Project #)	<u>Gross</u> <u>Building</u> <u>Area (SF)</u>	<u>Fiscal Year</u>				
			<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
County Road School	N/A	22,645	\$ 38,782	\$ 29,091	\$ 55,854	\$ 71,913	\$ 70,073
Luther Lee Emerson	SP#201893	44,381	51,079	57,014	75,316	67,059	67,886
Demarest Middle	SP#201892	71,919	67,578	92,391	89,567	82,544	115,131
District Total		138,945	\$ 157,439	\$ 178,496	\$ 220,737	\$ 221,516	\$ 253,090

*School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

N/A - Not Available

Source: District records

BOROUGH OF DEMAREST SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2019
UNAUDITED

	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Property Section	Great American		
Property- Blanket Bldgs & Grounds	Insurance Co.		
School Limit Per Statement of Values		\$ 31,672,272	\$ 5,000
Flood:			
Outside Zones A, V, or B		5,000,000	50,000
Zone A or V		2,000,000	500,000
Earthquake		5,000,000	50,000
Extra Expense		5,000,000	
Contractor's Equipment		250,000	
Cameras & Other Equip/ Athletic Equipment (Under Misc Property)		250,000	
Musical Instruments \$10,000 Maximum Per Item		250,000	
Valuable Papers		5,000,000	
Electronic Data Process Equip		5,000,000	
Accounts Receivable		100,000	
Boiler & Machinery Property Damage (Blanket)	Great American Insurance Co.	Property Limit	5,000
General Liability General Aggregate	Great American Insurance Co.	2,000,000	1,000
Each Occurrence		1,000,000	1,000
Commercial Automobile Liability Combined Single Limit	Great American Insurance Co.	1,000,000	
Comprehensive			1,000
Collision			1,000
Commercial Umbrella	Great American Insurance Co.	9,000,000	10,000
Excess Umbrella Note: Shared Limits	Fireman's Fund		
Per Occurrence		50,000,000	
Aggregate		50,000,000	

BOROUGH OF DEMAREST SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2019
UNAUDITED

	<u>INSURANCE COMPANY</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Workmen's Compensation	Safety National		
Per Occurrence		\$ 1,000,000	
Policy Limit		1,000,000	
Aggregate		1,000,000	
Environmental Legal Liability	Chubb/ACE American		
Per Occurrence		4,000,000	\$ 15,000
Per Aggregate Group		20,000,000	
Crime	Selective Insurance Co.		
Primary (Per Employee)		100,000	5,000
Blanket Employee Dishonesty- Excess		500,000	100,000
Forgery and Alterations		100,000	1,000
Educator's Legal Liability	Greenwich Insurance Co	1,000,000	
Educators Legal Deductible			15,000
Employment Practices Deductible			20,000
Individual Bonds	Selective Insurance Co.		
Business Administrator/ Bd Secy		300,000	
Treasurer of School Monies		300,000	
Accidental Death & Dismemberment	Gerber Life Ins. Co.		
Principal Sum (AD&D)		100,000	
Total Limit Per All Other Accidents		500,000	
Student and Athletic Accident Policy	Catlin Insurance Co		
Athletics & Students		1,000,000	
School Volunteers		500,000	
Cyber Liability	Indian Harbor		
Group Aggregate		6,000,000	
3rd Party Coverage		2,000,000	15,000
1st Party Coverage		1,000,000	25,000

Source: District records

SINGLE AUDIT SECTION



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Report on Internal Control over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
 Government Auditing Standards

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Demarest School District
 County of Bergen, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Demarest School District, in the County of Bergen (the "District") as of, and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 8, 2019
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP



Francis Jones
Certified Public Accountant
Licensed Public School Accountant #1154



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Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
County of Bergen, New Jersey

Report on Compliance for Each Major State Program

We have audited the Borough of Demarest School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2019. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2019.

The Honorable President and Members
of the Board of Education
Borough of Demarest School District
Page 2

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

November 8, 2019
Mount Arlington, New Jersey

Nisivoccia LLP
NISIVOCCIA LLP



Francis Jones
Certified Public Accountant
Licensed Public School Accountant #1154

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018		Cash Received	Budgetary Expenditures	Balance at June 30, 2019		Amounts Provided to Subrecipients	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue			Budgetary Accounts Receivable	Budgetary Unearned Revenue		
U.S. Department of Education Passed-through State Department of Education:												
Special Revenue Fund:												
Elementary and Secondary Education Act Consolidated Grant:												
Title III	84.365	ESEA-3090-19	7/1/18-6/30/19	\$ 1,904	\$ 1,904		\$ (1,904)					
Title III - Immigrant	84.365	ESEA-3090-19	7/1/18-6/30/19	2,454	2,454		(2,454)					
Title IV	84.424	ESEA-3090-19	7/1/18-6/30/19	5,346	5,346		(5,346)					
IDEA Special Education Cluster:												
I.D.E.A. Part B, Basic	84.027	IDEA-3090-19	7/1/18-6/30/19	151,118	151,118		(151,118)					
I.D.E.A. Part B, Preschool	84.173	IDEA-3090-19	7/1/18-6/30/19	10,563	10,563		(10,563)					
Total IDEA Special Education Cluster					171,385		(171,385)					
Total Special Revenue Fund					171,385		(171,385)					
Total Federal Awards					\$ -0-	\$ -0-	\$ (171,385)		\$ -0-	\$ -0-	\$ -0-	

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2018			Balance at June 30, 2019			MEMO	
				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	GAAP Accounts Receivable	Budgetary Unearned Revenue	Budgetary Accounts Receivable	Cumulative Total Expenditures	
New Jersey Department of Education:											
General Fund:											
Categorical Special Education Aid	19-495-034-5120-089	7/1/18 - 6/30/19	\$ 311,177		\$ 287,737	\$ (311,177)		\$ (23,440)		\$ 311,177	
Categorical Security Aid	19-495-034-5120-084	7/1/18 - 6/30/19	31,678		29,292	(31,678)		(2,386)		31,678	
Categorical Transportation Aid	19-495-034-5120-014	7/1/18 - 6/30/19	49,777		46,028	(49,777)		(3,749)		49,777	
Extraordinary Special Education Costs	19-495-034-5120-044	7/1/18 - 6/30/19	189,390			(189,390)		(189,390)		189,390	
Nonpublic Transportation Aid	19-495-034-5120-014	7/1/18 - 6/30/19	6,995			(6,995)		(6,995)		6,995	
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18 - 6/30/19	445,582		423,534	(445,582)		(22,048)		445,582	
Categorical Special Education Aid	18-495-034-5120-089	7/1/17 - 6/30/18	311,177	\$ (22,368)	22,368					311,177	
Categorical Security Aid	18-495-034-5120-084	7/1/17 - 6/30/18	11,558	(831)	831					11,558	
Categorical Transportation Aid	18-495-034-5120-014	7/1/17 - 6/30/18	9,872	(710)	710					9,872	
PARCC Readiness Aid	18-495-034-5120-089	7/1/17 - 6/30/18	6,960	(500)	500					6,960	
Per-Pupil Growth Aid	18-495-034-5120-089	7/1/17 - 6/30/18	6,960	(500)	500					6,960	
Professional Learning Community Aid	18-495-034-5120-089	7/1/17 - 6/30/18	6,820	(490)	490					6,820	
Extraordinary Special Education Costs	18-495-034-5120-044	7/1/17 - 6/30/18	203,833	(203,833)	203,833					203,833	
Nonpublic Transportation Aid	18-495-034-5120-014	7/1/17 - 6/30/18	5,510	(5,510)	5,510					5,510	
TPAF Pension Contributions (non-budgeted)	19-495-034-5094-001	7/1/18 - 6/30/19	1,069,045		1,069,045	(1,069,045)				1,069,045	
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)	19-495-034-5094-002	7/1/18 - 6/30/19	495,068		495,068	(495,068)				495,068	
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)	19-495-034-5094-004	7/1/18 - 6/30/19	22,378		22,378	(22,378)				22,378	
TPAF Long Term Disability Insurance (On-Behalf - Non-Budgeted)	19-495-034-5094-004	7/1/18 - 6/30/19	1,343		1,343	(1,343)				1,343	
Reimbursed TPAF Social Security Contributions	18-495-034-5095-002	7/1/17 - 6/30/18	435,531	(20,946)	20,946					435,531	
Total General Fund				(255,688)	2,630,113	(2,622,433)		(248,008)		3,624,654	
Total New Jersey Department of Education				(255,688)	2,630,113	(2,622,433)		(248,008)		3,624,654	
Total State Awards				\$ (255,688)	\$ 2,630,113	\$ (2,622,433)		\$ (248,008)		\$ 3,624,654	
Less: State Awards Not Subject to Single Audit Major Program Determination											
On-Behalf TPAF Pension System Contributions:											
On-Behalf TPAF Pension Contributions	19-495-034-5094-001	7/1/18 - 6/30/19	\$ (1,069,045)			\$ 1,069,045					
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-002	7/1/18 - 6/30/19	(495,068)			495,068					
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18 - 6/30/19	(22,378)			22,378					
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18 - 6/30/19	(1,343)			1,343					
Subtotal - On-Behalf TPAF Pension System Contributions						1,587,834					
Total State Awards Subject to Single Audit Major Program Determination						\$ (1,034,599)					

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Demarest School District under programs of the federal and state governments for the fiscal year ended June 30, 2019. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General and Special Revenue Funds to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$4,176 for the General Fund and \$ -0- for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds.

Awards and financial assistance revenue are reported on the Board’s basic financial statements on the GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,618,257	\$ 2,618,257
Special Revenue Fund	\$ 171,385		171,385
Total Awards	<u>\$ 171,385</u>	<u>\$ 2,618,257</u>	<u>\$ 2,789,642</u>

BOROUGH OF DEMAREST SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2019.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an **unmodified opinion on** the financial statements of the District.
- There were **no material weaknesses or significant deficiencies disclosed during the audit of the financial statements** as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- **No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.**
- There were **no material weaknesses or significant deficiencies in internal control over the major state program** disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state program.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2019 as federal grant expenditures were less than the single audit **threshold of \$750,000 identified in the Uniform Guidance.**
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's program tested as a major state program for the current fiscal year consisted of the following:

	<u>State</u> <u>Grant Number</u>	<u>Grant Period</u>	<u>Award</u> <u>Amount</u>	<u>Budgetary</u> <u>Expenditures</u>
State:				
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	7/1/18-6/30/19	\$ 445,582	\$ 445,582

- The threshold used for distinguishing between Type A and Type B for state programs was **\$750,000.**
- The District was determined to be a "low-risk auditee" for state programs.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any finding or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and NJ OMB 15-08.

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Status of Prior Year Findings:

There were no prior year findings.